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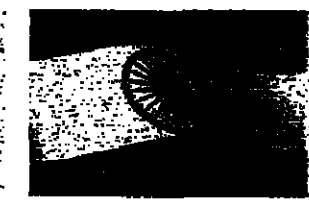
The urge to merge — *Morgan Stanley and Warburg* — Page 16



Developing India — *Rao targets private capital* — Page 13

Say the word — *Voice recognition that really works* — Page 8

TOMORROW'S **Weekend FT**

Sleeping with a Trident missile

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY DECEMBER 9 1994 — D8523A

Crisis in Orange County rebounds on bond market

US Securities and Exchange Commission chairman Arthur Levitt (left) said the financial crisis in Orange County, California, hit by a loss of $1.5bn (£910m) from its dealings in the bond market, might have been discovered sooner. Fears that the county may be forced to liquidate its $20bn fund portfolio caused sharp widening of credit spreads in US domestic and Eurodollar bond markets. San Diego County, also in California, said it had paper losses of $357m on a fund worth $3.3bn, largely because of its holdings of derivatives. Page 14

EU unemployment falls: European Union unemployment fell fractionally to 10.7 per cent in October from a revised 10.8 per cent in September, the EU statistics office said. Page 3

West German growth accelerates: Western German economic growth continued to accelerate in the third quarter, raising concern about renewed inflationary pressures next year and damping speculation about a further cut in interest rates. Page 14

Americas free trade zone 'by 2005': Leaders of 34 countries in the western hemisphere are likely to agree to set up an Americas free trade area by 2005 when they meet in Miami over the next three days. Page 6

Share offer from SGS-Thomson: Franco-Italian semiconductor manufacturer SGS-Thomson launched an offer of up to 19 per cent of its shares on the New York and Paris stock markets which could eventually raise more than $470m for expansion. Page 15; Details, Page 19

New leader for Japan's opposition: Former Japanese prime minister Toshiki Kaifu was elected leader of the country's new opposition alliance, the New Frontier party. Page 4

Kymmene cancels share issue: Kymmene, Finland's second largest forestry group, unexpectedly called off plans to raise more than FM1.5bn ($307m) in a domestic and overseas share issue, saying it did not reach an acceptable price level. Page 15

Lukoil reveals plans to attract investors: Lukoil, Russia's largest oil company, unveiled its strategy to attract $3bn-$7bn in foreign investment. Page 15

Acquisitions help Compass to £55.7m: UK Catering and healthcare group Compass lifted pre-tax profits by a third to £55.7m ($91.3m) and turnover by 85 per cent on the back of acquisitions in Europe and the US. Page 24

Allianz plans to make shares cheaper: Allianz, Germany's biggest insurance group, wants to make its costly shares more attractive to small investors by cutting their nominal value and splitting them into smaller units, chairman Henning Schulte-Noelle said. Page 15

Noritake shuts Sri Lanka plant: Japanese ceramics group Noritake closed its Sri Lanka factory amid a spate of industrial unrest which is threatening economic problems for the new government of President Chandrika Kumaratunga. Page 4

Smith New Court down 35%: Difficult conditions in the financial markets sent interim pre-tax profits at Smith New Court, UK equities market maker and broker, down 35 per cent to £20.2m ($33.1m). Page 22

Falkland fishing talks stall: Talks between Britain and Argentina over fishing rights around the disputed Falkland islands have temporarily broken down after a failure to agree catch quotas. Page 5

Chiapas governor takes office: Eduardo Robledo was sworn in as the new governor of the troubled southern Mexican state of Chiapas, despite threats by armed rebels there to renew their attacks. Page 5

GrandMet to sell US canneries: UK food and drinks group Grand Metropolitan is to sell its US vegetable canning plants. Page 17

Germans given reprocessing option: UK reprocessing company BNFL offered German electricity companies the option of taking back up to 1,400 tonnes of spent nuclear fuel they are due to start sending to the UK next year for reprocessing in 2005. Page 7

■ STOCK MARKET INDICES

FT-SE 100:	3013.8	(+1.3)
Yield	4.28	
FT-SE Eurotrack 100	1333.88	(-2.18)
FT-SE-A All-Share	1496.38	(+0.0%)
Nikkei	19,189.04	(+5.81)
New York: lunchtime		
Dow Jones Ind Ave	3720.38	(-15.14)
S&P Composite	448.89	(-1.34)

■ US LUNCHTIME RATES

Federal Funds:	$5\frac{1}{2}$%
3-mo Treas Bills: Yld	5.843%
Long Bond	$95\frac{1}{32}$
Yield	7.919%

■ LONDON MONEY

3-mo Interbank	$6\frac{13}{32}$%	($6\frac{7}{16}$%)
Liffe long gilt future:	Mar $101\frac{13}{32}$	(Mar $101\frac{15}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day	$16.34	(15.91)

■ GOLD

New York Comex	$377.8	(377.2)
London	$376.1	(376.3)

■ STERLING

New York lunchtime:		
$	1.5635	
London:		
$	1.564	(1.5644)
DM	2.4674	(2.4576)
FFr	8.4737	(8.4446)
SFr	2.0695	(2.0768)
Y	157.122	(156.575)
£ Index	80.5	(80.3)

■ DOLLAR

New York lunchtime:		
DM	1.5769	
FFr	5.4135	
SFr	1.3365	
Y	100.415	
London:		
DM	1.5777	(1.571)
FFr	5.4181	(5.398)
SFr	1.336	(1.3275)
Y	100.465	(100.15)
$ Index	63.4	(63.2)
Tokyo close Y 100.17		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Peso60	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.80	Lux	LFr65			UAE	Dh12.00

Planned link-up with S.G. Warburg aimed at creating stronger global bank

Morgan Stanley in merger talks

By John Gapper, Banking Editor

S.G. Warburg, the largest UK investment bank, announced yesterday that it intended to give up its independence by merging with the US investment bank Morgan Stanley in an effort to create a stronger global bank.

The announcement, prompted by widespread rumours in the London stock market which drove up Warburg's share price, followed three months of talks on what would be the most significant transatlantic merger the industry has seen.

The investment banks said their businesses were "uniquely complementary," although the merger is expected to lead to cuts among Warburg's 4,500 staff and Morgan Stanley's 9,300 staff as they eliminate duplication around the world.

Investment banks have suffered from weakness and volatility in financial markets this year, and both Warburg and Morgan Stanley have recently announced sharp falls in profits after producing record earnings in better markets last year.

Warburg has had difficulty fulfilling its ambition of rivalling the large US investment banks such as Goldman Sachs as a global player because of a relatively small capital base and difficulty in penetrating US capital markets.

Morgan Stanley is thought to view the merger as a means of making a stronger impact in Asia and Europe. The bank has been expanding its staff recently, partly to rebuild its position in US mergers and acquisitions and advisory work.

Large investment banks in Europe and the US increasingly believe they must have a strong presence in many global regions in order to gain business from cross-border capital flows. This has led US banks to push strongly into Europe.

Heads of other UK investment banks said they thought the merger could create a strong combined force, but it would face merger difficulties. "I think there is bound to be a lot of fall-out," said one chief executive.

The banks said yesterday that they were "discussing the possibility of combining their businesses" by forming a new holding company. The company will probably offer shares in exchange for existing Warburg and Morgan Stanley equity.

The intended merger could be disrupted by a counter bid from another institution. However, executives of both banks believe it would be hard to mount a hostile bid, because much of the value of Warburg is in the expertise of employees.

Warburg was founded 50 years ago by Sir Siegmund Warburg and outgrew old-established UK merchant banks after the war. It has been favoured by the UK government in privatisation work, and acts as adviser to many large UK companies.

There is some uncertainty over Mercury Asset Management, the fund management business which is 75 per cent owned by Warburg. The merged banks could be forced by the Takeover Panel to offer to buy out the minority shareholders.

Analysts saw the addition of Mercury Asset Management as one of the prime benefits for Morgan Stanley because it would make earnings more stable, while Warburg would gain from Morgan Stanley's risk management.

Warburg's shares closed 119p up at 791p yesterday, after reaching a high of 830p.

HOW THEY COMPARE

S.G. Warburg (Year to March 31, 1994)	Morgan Stanley (Year to Jan 31, 1994)
Profits after tax* £178.9m ($279m)	Net income $786m
Total assets £22.58bn	Total assets $97.24bn
Total capital resources £1.48bn	Total capital $9.8bn
Employees: 4,472	Employees 9,300†

*after minority interests †current figure

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☐ Sir Siegmund's legacy

☐ Elite child of a depression

Editorial Comment and Observer, Page 13; Lex, Page 14, London stocks, Page 27

Mitsubishi breaks ranks to buy steel from Korea

By Michiyo Nakamoto in Tokyo

A significant crack has appeared in Japan's traditional corporate relationships with the unprecedented decision by Mitsubishi Motors to import steel from South Korea, long seen by Japanese manufacturers as their chief rival.

Mitsubishi Motors, the carmaker within the Mitsubishi group of companies, broke an industry taboo by signing a contract with Korea's Pohang Iron and Steel to purchase steel sheet for car production on a long-term basis.

The agreement reflects growing pressures on Japanese manufacturers to lower costs following the yen's appreciation. The Organisation for Economic Co-operation and Development, in its annual survey of Japan's economy, warned yesterday that the yen's strength was the biggest threat to the country's emerging recovery.

Mitsubishi would not disclose the price of Korean steel sheet, but it is believed to be 15 to 20 per cent cheaper than the Japanese product. Nissan, Japan's second largest carmaker, and Honda also said they were testing Korean steel sheet.

Reports of the Korean imports, decided on Wednesday, depressed the share prices of Japanese steel companies on the Tokyo Stock Exchange yesterday. Nippon Steel, the world's largest steelmaker, was the most actively traded issue, down Y6 to Y368. NKK and Kobe Steel were also among the 10 most actively traded issues, with NKK down Y9 to Y269 and Kobe down Y5 to Y311.

Nippon Steel, which leads the domestic industry, said yesterday it hoped to adjust costs to meet the level of cheaper imports over time: "We have said that we aim to adjust prices, but that it takes time to do so."

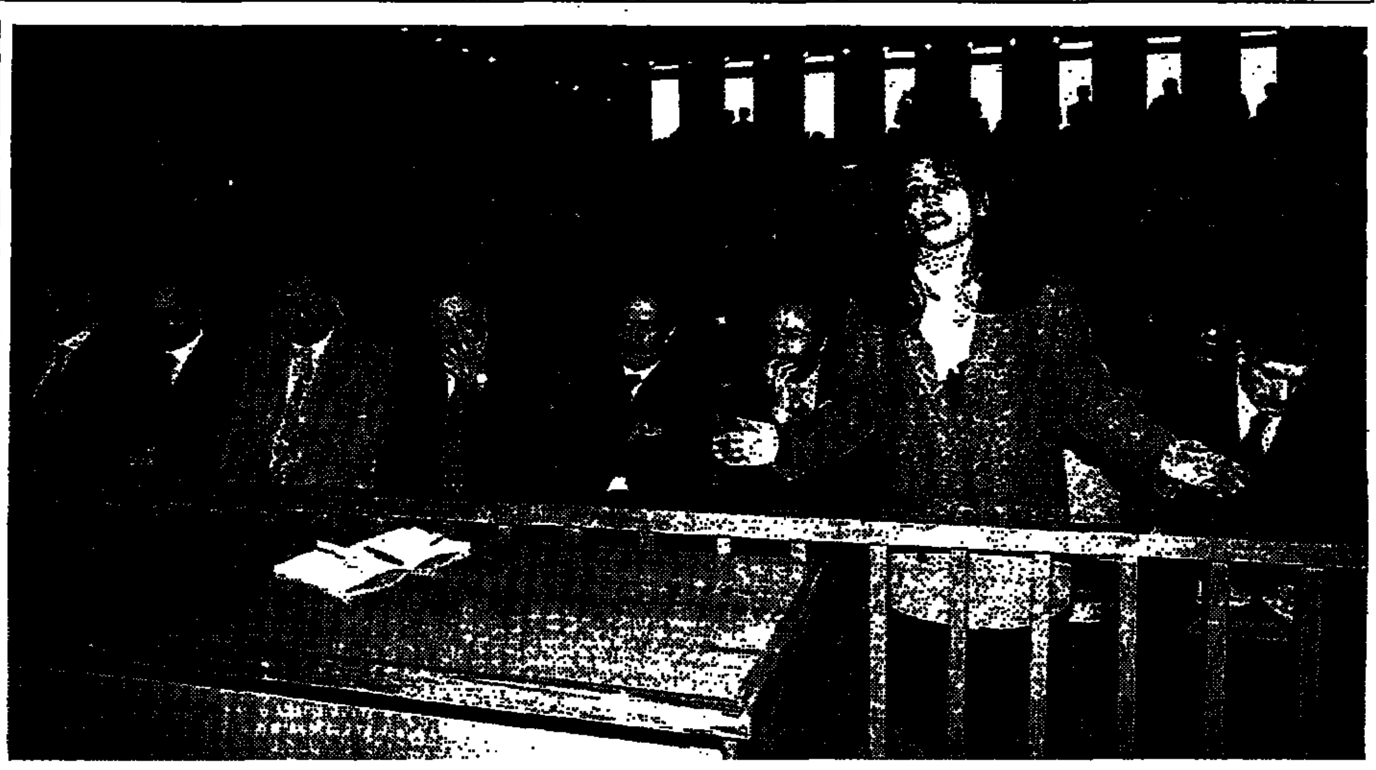
The decision by Mitsubishi, a member of one of Japan's most tightly-knit *keiretsu*, or corporate families, is an example of how the yen's rise and structural changes in the economy are contributing to the unwinding of corporate relationships.

The growth of the Japanese economy and the difficulty foreign suppliers faced in meeting the stringent demands of Japanese carmakers, had hitherto ensured that Japanese steelmakers could dominate the market in the domestic car industry.

Car industry officials admit

Continued on Page 14

Strong yen biggest risk for Japan, Page 4



Leyla Zana, one of eight Kurdish members of the Turkish parliament accused of backing the banned Kurdish Workers' party, delivers her final defence speech yesterday at the end of their trial in Ankara. Ms Zana was jailed for 15 years. Four of her co-defendants – watching from the front row – received 15-year sentences and the other three were given sentences ranging from 3½ to 7½ years. European Union MPs who attended the trial were angered by the verdicts. Report, Page 14 Picture: Associated Press

Bosnia clouds EU summit hopes on eastern Europe

By Lionel Barber in Brussels and Christopher Parkes in Essen

EU leaders open a two-day summit in Essen, Germany, today to discuss future integration of eastern Europe, an issue clouded by the Bosnian crisis.

The summit is also affected by Spanish threats to block the entry of Austria, Sweden and Finland into the Union next year unless Madrid receives, improved fishing rights.

These "hostage-taking" tactics were denounced this week by Mr Jacques Delors, outgoing president of the European Commission and possible contender for the presidency of France. With host Chancellor Helmut Kohl, he is expected to be central to the summit.

At a meeting of the European socialists in Essen yesterday, Mr Delors said he would try to convince EU leaders to consider new ways to combat unemployment. But the "intellectual laziness and traditionalist ideas of some" would make it difficult, he said.

The focus of the Essen summit is a German paper on the integration of six former communist countries – Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania – into the European Union.

Leaders of the six will tomorrow be offered further modest trade liberalisation, broader political contact, and promised a guidelines, next spring, for adapting their economies and legal codes to the single European market. However, the package avoids a commitment to reform the common agricultural policy and regional aid funds, without which the cost of admitting the east Europeans would be prohibitive. "This is one of the big weaknesses in the document," said a senior EU official.

This reflects intra-EU tensions over the German-led desire to secure stable borders to its east. A Franco-German compromise committing minimum sums of $6.7bn over the next five years to the east Europeans, and $3.27bn to North Africa and the Middle East, is likely to be agreed. Despite Chancellor Kohl's consensus-building skills, senior diplomats predict difficult discussions over Bosnia. The UK and France have contributed the bulk of European forces in the UN peace-keeping effort, and are nervous about possible German support for lifting the UN arms embargo against the Bosnian Moslem government.

They believe that this would force a humiliating withdrawal of UN troops, fuelling tensions within Nato and with Russia, which has become bolder in its support for the Serbian government headed by President Slobodan Milosevic.

Page 2

■ Hopes of wider union turn to fear of no union

■ East Europe impatient for seat at the top table

Higher taxes to fill $1.6bn gap in UK Budget

By Peter Norman and Philip Stephens

Mr Kenneth Clarke, the UK chancellor of the exchequer, yesterday turned to smokers, motorists and drinkers to plug the gap in the government finances caused by this week's defeat in parliament over Value Added Tax on domestic fuel.

Addressing a packed House of Commons, a boisterous Mr Clarke announced a 1p per litre rise in petrol and diesel taxes and increases of about 4 per cent in tobacco and alcohol duties from January 1 to make up for £1bn ($1.64bn) of revenue lost next year.

He said the government would trim the social security compensation package that was to protect pensioners and others on income-related benefits from the aborted plan to increase VAT on fuel to 17.5 per cent. Mr Clarke also signalled further cuts of £300m a year in public spending from 1996-97 onwards to make up further revenue shortfalls.

Mr Clarke told MPs that holding the rate of VAT on domestic fuel at 8 per cent would cut revenue by about £1bn in 1995-96 and £1.5bn in subsequent years. But he ostentatiously rejected cutting spending plans for the coming financial year or levying more direct taxes on individuals or imposing new taxes on businesses.

Instead, he chose to raise £780m from higher excise duties on fuel, tobacco and alcohol.

The social security measures would save £190m in 1995-96 and rather more in following years. Because of a reduction in pension rates, national insurance contributions would start on earnings of £58 a week rather than £59 a week from next April, raising receipts by £50m.

Mr Clarke's pugnacious performance in the Commons drew loud applause from Tory MPs and raised hopes among ministers that the wounds in the ruling Conservative party inflicted by

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Lex, Page 14

Brewers and distillers attack mini-Budget, Page 7

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

The EU's summit in Essen is marked by divisions over Bosnia, unemployment and enlargement

Hopes of wider union turn to fear of no union

By Lionel Barber in Brussels

Today's European Council summit in Essen ought to be cause for celebration but risks turning into a wake.

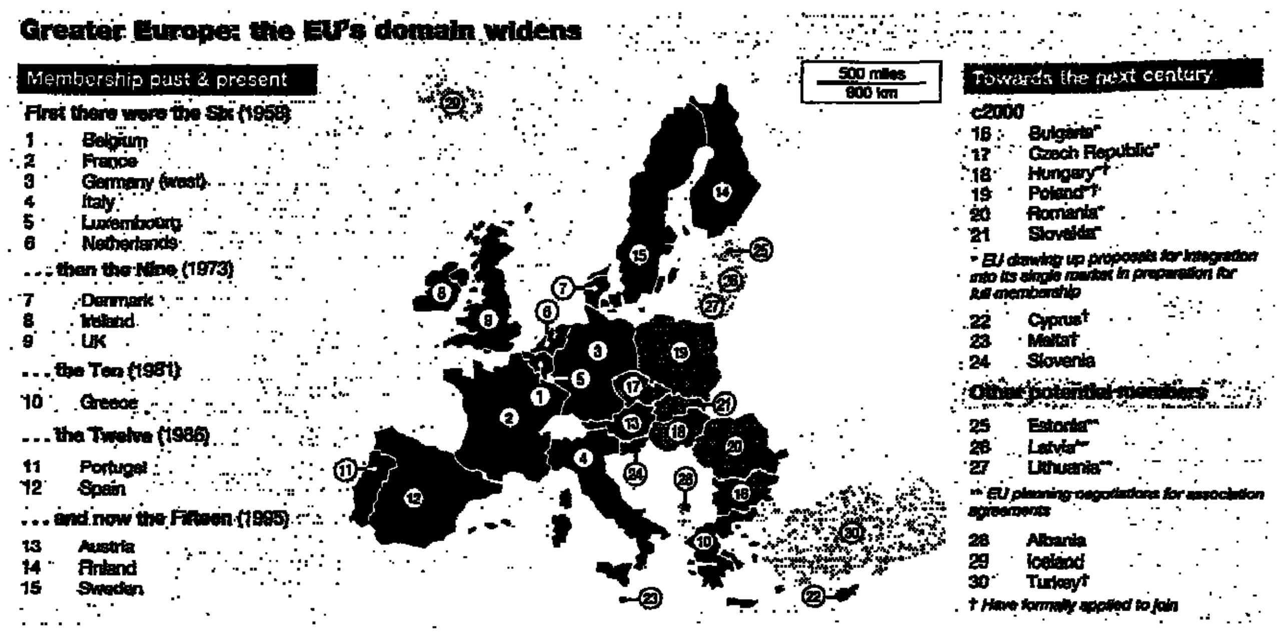
Essen was at first billed as a defining moment in the German-led strategy to build a wider European Union incorporating the former communist countries of central and eastern Europe. To the dismay of Chancellor Helmut Kohl, however, the two-day summit seems certain to be haunted by Bosnia.

All 12 EU leaders present, and Mr Jacques Delors, the outgoing president of the European Commission and potential candidate for president of France, recognise the corrosive effects of the Bosnian conflict as it poisons relations within the Atlantic alliance and with Russia.

The question is whether the rift between the US and Europe over strategy toward the Balkans will spread to the European Union, which next year takes in Sweden, Austria and Finland. France and the UK are acutely aware of German public opinion in favour of US calls to lift the UN arms embargo against the warring parties, which would help the Bosnian Moslem government.

Yet lifting the embargo is anathema. It would trigger withdrawal of the 23,000-strong UN peacekeeping force, to which France and the UK have contributed generously, and deepen the rift in Nato.

Greater Europe: the EU's domain widens



Mr Kohl will therefore do his utmost to prevent a split. He knows that it would rekindle fears of France, Germany and the UK going their separate ways in the Balkans – a repeat of history at the end of the 19th century and, briefly, in December 1991 when Germany put pressure on its reluctant EU partners to recognise its favoured states Croatia and Slovenia.

Even if Mr Kohl succeeds in papering over differences, he will not be able to conceal the impotence of the EU in the face of a crisis in its own backyard or its apparent indifference to the destruction of a multi-ethnic state recognised by the international community.

"You cannot underestimate the psychological damage caused by Bosnia, particularly on European public opinion," says a Commission official.

The same debilitating effect is evident in the item second on the Essen agenda – unemployment. True, the European economy is on the mend; but it is a jobless recovery. Europe still has about 18m people out of work, and there is little prospect of shortening the dole queues by much. "The EU has failed to answer the most fundamental question: What's in it for me?" says one Commission official.

Today in Essen, Mr Delors will again spell out the competitive challenge posed by the US and Asia. He will urge fresh measures to create jobs.

One idea is the multi-billion-dollar trans-European rail, road and telecommunications networks; others are the new "information highway" and a more imaginative approach to labour markets.

The third item on the agenda is eastern Europe, and it remains the issue on which the success of the summit is likely to be judged. In the run-up to the Essen meeting, much has been made of Mr Kohl's hesitation about inviting the leaders of Poland, Hungary, the Czech republic, Slovakia, Bulgaria and Romania, which all hope to join the Union.

Doubts grew after the German presidency of the EU soft-pedalled on trade liberalisation measures and avoided a commitment to reform of the structural funds and the common agricultural policy, both of which are necessary if the costs of eastward enlargement are not to be prohibitive.

Sir Leon Brittan, chief EU trade negotiator, rejected much of the criticism this week. He singled out a planned blueprint for EU accession setting out steps for adapting laws, state aid, norms and standards to allow the six eastern European states to adjust progressively to the single European market.

German officials agree that the package for eastern Europe reaches the limits of what other countries – notably the Franco-Spanish-led "Club Med" bloc – would tolerate.

France underlined the point by insisting that EU funds for eastern Europe over the next five years would have to be matched with more money for the Mediterranean, specifically North Africa.

This linkage between eastern Europe and the Mediterranean is new. Perhaps France and Germany are striking a sensible bargain for joint EU action to counter instability on the EU's periphery; but France may also be seeking to counter the eastward pull of a unified Germany with its own shift to the south.

This would mark a division of Europe into old-style spheres of influence, an arrangement which falls short of the proclaimed European Union created by the Maastricht treaty.

But, as Mr Delors is likely to point out to the leaders over dinner tonight, the Union is not living up to its name: its common security and foreign policy is a sham; and the loose inter-governmental co-operation supposed to deal with justice and home affairs has failed to produce a single achievement in the past 12 months.

The Commission blames British and Spanish blocking tactics, but also singles out unyielding French opposition to diluting the power of its own national police forces, led by Mr Charles Pasqua, the right-wing interior minister.

The Euro-activists, whose champion is Chancellor Kohl, believe they have the answer: a faster route to political and economic union, buttressed by greater powers to the European Parliament and the European Commission, led by an inner core of integrationist-minded EU states. Their target date for action is the inter-governmental conference of 1996 to review the Maastricht treaty.

Those of a more passive persuasion, particularly UK prime minister Mr John Major, will resist. Their political survival depends on stopping a Great Leap Forward in Europe. Still, as Mr Major disclosed this week, there may be contingency plans for referendums on Maastricht 2, specifically any move to join a single European currency.

The struggle between these two opposing camps will be one of the sub-texts of the Essen summit. Its outcome will have a decisive influence on how the EU resolves the official item on today's summit agenda: the integration of western and eastern Europe.

EU-wide rules to protect data likely

By Emma Tucker in Brussels

The European Union yesterday took a big step towards adoption of EU-wide data protection rules. Ministers believe they are vital for the development of revolutionary services on the information superhighway.

Ministers meeting in Brussels agreed that plans to harmonise rules protecting personal information would be adopted by the year's end, provided a final text was agreed.

The decision overrode strong objections from Britain which believes legislation is unnecessary and that the Brussels plans will impose heavy costs on the private sector. However, with all other member states backing the initiative, the UK (which has minimal data protection laws) will almost certainly have to take the measures on board.

The Commission said the proposals were essential to speed cross-border provision of financial and other services which are hindered by differing data protection regimes.

Further, the development of new electronic highways will make it much easier for EU consumers to choose mortgages, life insurance and other services from outside their home country. Brussels says this will not be possible without a single regime for data protection.

The plan gives countries 12 years to introduce rules covering information stored on paper rather than on computers. Also, data protection will be only be applied retrospectively to manually held data where people actually require access to the information.

At yesterday's meeting ministers also discussed progress in the single market. Tables produced by Brussels showed Greece and Germany with the worst record for adopting outstanding measures deemed crucial for the free flow of goods, services and capital.

Mr Günther Rexrodt, the German economics minister, reacted sensitively to suggestions that Bonn was dragging its feet, saying much legislation had not been adopted for technical reasons. He added: "It is also due to the fact that we want to look at the content of the directives to make sure that the principle of subsidiarity has been adhered to."

Mr Raniero Vanni D'Archirafi, commissioner responsible for the single market, said 1994 had been a disappointing year for the single market with a lack of political commitment from member states.

On the eve of its second anniversary, he said developments had been most disappointing in intellectual and industrial property, public procurement and insurance.

Greece, which has only implemented 77.9 per cent of the single market legislation is the worst offender by a long way. Of a total of 217 measures, it has made no progress on 43. This compares with Denmark – the champion – which has only eight outstanding.

The second slowest country is Germany which has made no progress on 26 directives, followed by Ireland with 24. France is the second most efficient, followed by Britain, which has still not adopted 14 bits of legislation.

Brussels also accused member states of failing to respect the principle of mutual recognition, whereby they recognise each other's standards for goods and services where no harmonisation legislation is deemed necessary.

Member states now look certain to back a Commission initiative that will require them to inform Brussels every time any one of them intends to ban or refuse entry for a product lawfully produced in another member state.

González to 'take hostages' on fish issue

By Tom Burns in Madrid

Mr Felipe González, the Spanish prime minister, has thrown his weight around before at European summits but never has he pushed brinkmanship quite so far as he will today at Essen. When Mr Jacques Delors, president of the European Commission, criticised national governments on Wednesday for "taking hostages" in order to get their own way in the Union, he had Mr González in mind.

Mr González's offence is that he served notice in a letter to German Chancellor Helmut Kohl last week that Madrid would block the EU's enlargement (to incorporate, Austria, Finland and Sweden next month) if Spain, together with Portugal, failed to obtain legal guarantees on its inclusion in the Common Fisheries Policy (CFP) by January 1 1995. The Spanish premier is now poised to repeat his threat verbally to Mr Kohl in the presence of Mr Delors and of the others meeting in the central Ruhr town.

Although the CFP is not on the Essen agenda, "the issue is very likely to come up," said Mr Miguel Gil, the Spanish government spokesman.

A veteran of a score of European summits, Mr González dug his heels in over revenue raising at Maastricht in 1991, over structural funds at Edinburgh a year later and most recently over qualified majority voting during the Greek presidency earlier this year.

On this occasion, however, Mr González has a powerful legislative back-up to his obstinacy. In October the Spanish parliament voted not to ratify the accession of the three new members unless Spain first obtained guarantees lifting restrictions on its fishing rights in EU waters.

"The prime minister wrote to Chancellor Kohl that the vote had been unanimous and unequivocal and that he [Mr Kohl] should therefore concentrate on the fishing issue," said Mr Gil. Mr Carlos Westendorp, Madrid's EU secretary of state, was more emphatic: "Our position is well entrenched. Parliament has closed off any retreats."

Mr Kohl may be irked by the sight of a Spanish deep-sea trawler muddying the clear waters of enlargement. Madrid, however, insists that it is up to the German presidency to break the deadlock at the EU's fishing council, where a series of bitter arguments continue to hold up what the EU had agreed in principle months ago as part of the enlargement package.

In a concession allowing Norway to preserve its own fishing grounds, the Twelve agreed in March to bring forward the entry of Spain and Portugal to the CFP from 2003 to 1996 and to settle the terms of their inclusion by the end of this year.

The fact that the Norwegian people in a referendum rejected joining the Union does not in Madrid's view, alter a single sentence of the March commitment. But the EU's council of fishing ministers meets on December 19-20 amid strong disagreements over what the CFP will look like with the inclusion of Spain and Portugal and the fear that an 11th-hour consensus may prove impossible. "This month's council is the last cartridge because we've used up all the others," said Mr Westendorp. "It has to receive a clear message from Essen."

Clarity is all too necessary because the fishing council has become confused over the Commission's proposals to use the extension of the CFP to introduce stricter rules on where and how trawlers operate.

The new rules are disliked by Spain, which has been subjected to similar restrictions ever since it became Europe's 12th member in 1986, as much as by the rest who view them as intrusive and unworkable. In addition, Ireland and the UK have not abandoned their hopes of keeping Spain's 200-strong fleet of large trawlers out of the "Western Waters" on the grounds that the "Irish Box" is a sensitive zone requiring biological protection.

The Irish-British objections cause considerable anger in Madrid, where officials say the insatiable Spanish demand for fish has revitalised the industry in the EU. "Ireland exported 600 tons of fish to Spain in 1985 and last year it exported 6.5bn tons, all of them high price and high quality, " says Mr Rafael Conde, Madrid's director general of fishing.

At issue, in Spain's view, is whether the EU has a genuine common fishing policy or a set of national ones and, specifically, whether the Union is prepared to end the discrimination that it imposes on two of its present members before it accepts any new ones. "We must have an internal house-cleaning over the fishing business before enlargement," said Mr Conde.

France aims to divert aid southward

By David Buchan in Paris

France said yesterday it hoped the Essen summit would endorse proposals to bring European Union aid to the Mediterranean into better balance with the money flowing to the east.

"At a time when the European Union is reaching out to the east, it is important that it should not forget its southern flank – the Mediterranean region, stretching from the Maghreb to Turkey and including Malta and Cyprus," said Mr Jean Musitelli, President François Mitterrand's spokesman.

In recent years, EU aid to the Mediterranean has amounted to only 40 per cent of that going to eastern Europe. France is backing Commission proposals to increase Mediterranean aid to Ecu5.5bn (£4.3bn) over the next five years, compared with a planned Ecu7.5bn destined under the Phare programme for east Europe.

France believes it has gained German support for more EU resources for the south, as part of a trade-off in which Paris has shown itself steadily more enthusiastic and open to Bonn's concerns about enlarging the Union to the east.

While acknowledging that little can be usefully done for Algeria until that country settles its brutal civil war, France wants the EU to press on with negotiations for freer trade with neighbouring Morocco and Tunisia.

Mr Alain Lamassoure, France's EU affairs minister, stressed that the French presidency in the first half of 1995 would strongly back a recent Commission compromise proposal on imports of Moroccan tomatoes, a tender subject for EU growers.

France plans to use its presidency of the Council of Minister to set in train a summit meeting between EU and Mediterranean countries. But France is already due next spring to host a gathering of purely Mediterranean countries which it is organising with Egypt. So the EU-Mediterranean summit is likely to be hosted by Spain, which takes over the EU presidency baton from France next July.

Britain's Labour party says No to 'no veto'

By Christopher Parkes in Essen

Britain's Labour party left its calling card on the doorstep of the European summit yesterday. It was a pungent reminder that if the time should come when it is Britain's official EU representative, it will bring with it a firm resolve to maintain the right (as the former Mrs Margaret Thatcher would have it) to say "No, no, no".

The occasion was a pre-summit sub-summit called to allow leaders of European socialist and social democrat parties to draft their would-be agenda for the future of Europe, and wave farewell to Commission president, Mr Jacques Delors.

In the absence of Mr Tony Blair, Labour's deputy, Mr John Prescott was left to shepherd through a key amendment – in defence of the notorious right of veto – to the meeting's final declaration.

Someone, it seemed, had sneaked in a cheeky paragraph proclaiming: "We say 'No' to any individual state having a right to veto further development of the Union."

"This", Labour protested, "is a major addition to the text which has not been in any previous text or raised in previous discussions and which the Labour party is unable to accept." The clause accordingly disappeared from the final version.

France's Socialists, represented by Mr Henri Emmanueli, had less luck with their attempt to commit the movement to a policy of waiting until the end of the 1996 inter-governmental conference on the reform of EU institutions before even thinking about enlargement.

Just as Mr Emmanueli echoed the official French line, so Mr Rudolf Scharping, Germany's Social Democrat leader, echoed that of Chancellor Helmut Kohl, who will preside over the summit today.

Mr Scharping warned of "negative consequences" should Germany's central and eastern European neighbours be told to forget about entry negotiations for two or three years.

Mr Delors ducked. "It is really a question of linguistics," he ventured. But it was also a question of coping with enlarging EU membership from 12 to 15, 16 or even 27. What was important was to be clear about what sort of "marriage contracts" were needed or practicable.

East Europe impatient for seat at the top table

By Anthony Robinson

A belated invitation from Chancellor Helmut Kohl to attend the concluding session of the European Union summit in Essen is not as humiliating as a summons from the Soviet leadership to attend a Comecon meeting in Moscow used to be. But neither is it the sort of open and frank dialogue which the six aspirant members from central Europe had hoped to establish with the EU in the five years since the collapse of the Berlin Wall.

Attitudes east of the Elbe have changed while Brussels dithered over plans for the EU's *Drang nach Osten* (drive to the east). At first the nations liberated from the Soviet yoke blithely assumed that they would be safely scooped into the west's economic club, the EU, and its military safety net, Nato. But that vision of bliss born out of ignorance did not survive long.

As central Europe plunged into painful shock therapy the EU sublimely sailed on to *Maastricht* while the western alliance as whole was diverted by the Gulf war and sucked into the Yugoslav vortex. To cap it all, recession sparked off anti-dumping and other restrictions on iron, steel and textile imports from eastern Europe and meat import bans for spurious sanitary reasons.

The recipients of initial EU "aid" also soon realised it took a form more convenient to the donors, like surplus grain and redundant civil servants, than useful to the recipients.

When negotiations for "association agreements" began in 1990, the central Europeans found that the Brussels view of trade was very similar to that of Comecon commissars: "A jungle of complex quotas and haggling over the precise details of dried mushrooms", as Mr Andrzej Olechowski, in charge of Poland's negotiations with Brussels, describes the drawn-out process.

Instead of a Marshall plan-like strategic vision of a united Europe, Brussels opted for nit-picking bilateral treaties with the individual applicants for eventual membership, adds Mr Janos Martonyi, Hungary's European affairs expert.

The Copenhagen and Edinburgh EU summits and subsequent revisions to the bilateral association agreements with Bulgaria, the Czech Republic, Hungary, Romania, Poland and Slovakia have improved market access and opened the door to eventual full entry, without however specifying a timetable or clearly laying down the necessary criteria.

Thanks to the relative openness of EU markets, Germany has replaced the former Soviet Union as the principal market and source of imports for all aspirant members, while trade with the EU states as a whole is also well over 50 per cent of their total.

All aspirant members are showing strong, export-led growth and building up their laws and institutions to be EU-compatible. They are also re-establishing trade and other links with the former Soviet states – but on a private trade and contact level, not the rigid, hierarchical inter-party and inter-state basis of yesteryear.

The six central European leaders invited to Essen are glad of the opportunity to be seen alongside their west European confrères at the farewell photo opportunity. The fastest possible integration into the EU remains the focal point of their economic and foreign policies. They see economic prosperity and ever growing investment and trade links as integral members of an enlarged EU as the more reliable basis for future security.

But above all they want to be part of the negotiating process which redefines the political and economic shape of 21st-century Europe, not just on the sidelines of great events.

Belgian minister quits amid fraud claims

Belgium's defence minister, Mr Leo Delcroix, resigned on Thursday following allegations of tax fraud in connection with a villa he owns in the south of France, Reuter reports from Brussels.

Mr Jean-Luc Dehaene, the prime minister, said he had accepted the resignation of the 45-year-old politician, who denied the allegations on Wednesday. The Flemish Christian Democrat Mr Karel Pinxten has been named as Mr Delcroix's successor. Mr Pinxten, 42, was a member of the European parliament from 1989 to 1991 when he was elected to the Belgian parliament.

Mr Delcroix, who became defence minister in March 1992, was previously general secretary of a leading Belgian political party, the Christian Democrat CVP, Mr Dehaene's party. In his resignation letter he said: "In my new situation I can defend myself better against the insinuations and accusations.... which I consider extremely unjust."

The Belgian magazine Humo alleged earlier this week that he had defrauded the tax authorities in connection with his French villa and had used "black labour" to build it.

Three Belgian socialist politicians, including deputy prime minister Guy Coeme, resigned from central and regional government posts last January over the so-called Agusta affair involving alleged bribery in an army helicopter contract.

Earlier this year Mr Delcroix denied he owned a home in France but said on Wednesday he had been deliberately vague about it so as not to compromise his chances in European parliament elections. He did well in the poll but did not take up a seat.

He told a news conference on Wednesday he owned a majority stake in a French company, Capricorne Sud, whose main asset is the villa and the land it is built on. He said he had acquired the stake for about BFr300,000 ($9,400).

Political analysts said yesterday that a lot of questions remained after Mr Delcroix's explanation. One claimed that Mr Dehaene had apparently tried to limit the damage to his government by asking the minister to resign.

The Humo report, headlined "Chronology of a lie", quoted a tax expert as saying that many Belgians using black or undeclared money to buy a villa in southern France use the cover of a French company. "Capricorne Sud fits entirely into this scheme," Humo said.

Mr Delcroix said the money for the villa came from "my family, my wife and myself, from parents and parents-in-law. It is just a family project."

He estimated it was worth between BFr15m and BFr20m ($468,000 and $625,000), rebutting suggestions that it was worth BFr70m ($2.18m).

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مكررا من الاصل

EUROPEAN NEWS DIGEST

Slovaks reach coalition deal

Mr Vladimir Meciar will form a coalition government in Slovakia with extreme right and left-wing parties on Sunday, more than two months after he won national elections. Mr Meciar and his Movement for a Democratic Slovakia (HZDS) had previously planned to form a government only after the 1995 state budget was passed. The HZDS – which won 35 per cent of the vote in October's election on a populist-nationalist platform – said it would sign a pact with the extreme right-wing Slovak National party (SNS) and left-wing Slovak Workers' party. The parties have agreed that the HZDS will contribute 10 ministers, the Workers' party three and SNS two, the state news agency, TASR, reported. Mr Meciar is expected to return as prime minister after being ousted in March by a parliamentary vote of no confidence. He stunned the caretaker government last month by pushing through a series of controversial laws, effectively giving his coalition parties control of the state broadcast media and state intelligence service. The all-night session also reversed 50 privatisation decisions made by the outgoing cabinet before the elections. *Reuter, Bratislava*

EU clears aid for Eko Stahl

The European Union yesterday cleared a DM910m ($580m) aid package for Eko Stahl, former east Germany's biggest steel plant, opening the way for Cockerill-Sambre of Belgium to take over, modernise and eventually privatise the loss-making enterprise. An initial package involving capital injections of more than DM1bn was cut after other EU countries objected, in particular the UK, which did not think sufficient capacity reductions were accompanying the aid. Under yesterday's deal, Germany will cut 41,000 tons of steel capacity in the east. The deal should come into effect on January 1, when Cockerill-Sambre will take an initial 60 per cent stake, with the option of taking the remainder from the Treuhand privatisation agency by 1999. The aid will be used to modernise the plant's cold-rolling mill and blast furnace, but also to build a new hot-rolling facility. *Emma Tucker, Brussels*

EU border checks end in March

The Schengen accord to end border controls between nine European Union states will finally come into effect on March 26 next year, Mr Yves-Thibault de Silguy, one of France's new EU commissioners, told Le Figaro newspaper in an interview. "Schengen's all sorted out. On December 22, we will announce that the accords come into effect on March 26," said Mr de Silguy, who takes over as economic and monetary affairs commissioner at the end of next month. "On that date Schengen starts being applied and the signatory countries must take measures to get rid of border controls before the summer," he said. Officials from the nine are due to meet in Heidelberg, Germany, on December 22 to set an official implementation date, which has been put back since January 1993. Last month, Germany said the accords should come into effect by April at the latest. Germany, France, the Netherlands, Belgium, Luxembourg, Italy, Spain, Portugal and Greece have signed the accord. Austria, which joins the EU next month, has observer status. Britain, Ireland and Denmark have kept their distance as have the two other new members, Finland and Sweden. *Reuter, Paris*

Hungary's energy prices soar

Hungary's Socialist-led government yesterday agreed huge energy price rises but backed off from the even higher price increases recommended by its energy office and advisers working on the privatisation of the country's electricity and gas companies. Mr Laszlo Pal, industry minister, said electricity prices for households would rise by 65 per cent and for gas by 53 per cent from January. Details of price rises for industry were not given, but Mr Pal said they would be significantly lower than those for domestic users. To soften the blow, the government, which faces nationwide local elections on Sunday, will allocate Ft9bn ($81.2m) from the state budget to compensate those most hit by the increases. The price rises increase the value of the state electricity and gas companies which the government plans to privatise next year, but analysts estimate household energy prices, which are controlled by the state, need to rise by 100 per cent to bring them to world levels and cover production and modernisation costs. *Virginia Marsh, Budapest*

Nadir's debt accord challenged

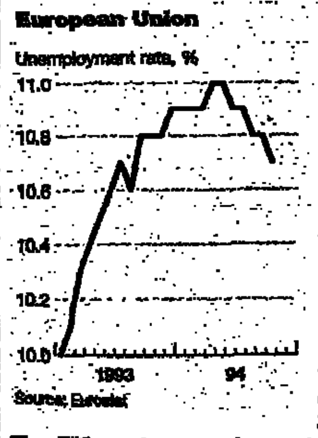
An agreement between Mr Rauf Denktash, president of northern Cyprus, and Mr Asil Nadir, the fugitive businessman, over settlement of his estimated $10m (£6m) debt to the government faced collapse last night after shareholders of his companies disputed his right to use them to cancel his debt. Mr Denktash announced after a nine-hour cabinet meeting on Wednesday night that Mr Nadir would transfer the Cyprus-based Sunzest citrus company, formerly part of his Polly Peck International group, to the government. In return the government would waive his debts of about $10m. However, lawyers for PPI's administrators and shareholders denied Mr Nadir's right to sell Sunzest. Although he is a director, they claim, the company is actually owned by an offshoot of an Isle of Man company. They are now threatening court action which could unravel the deal. Mr Nadir owes the government back taxes, unpaid rent on leased government hotels he manages and social security payments deducted from employees' pay but never transferred to the Treasury. *John Barham, Nicosia*

Vladivostok mayor fights back

The former mayor of the Russian far eastern city of Vladivostok, who was forcibly deposed by the regional governor in March, demanded his reinstatement yesterday with the support of citizens' groups. Mr Victor Cherepkov was cleared last Friday of charges of taking bribes – allegations levelled against him by Mr Yevgeny Nazdratenko, governor of Primorskye Krai, the far-eastern region. The Sevodnya newspaper reported Mr Cherepkov as saying he would sue the governor – who was the object of a report by Russian liberal parties that demanded his sacking on the grounds of arbitrary and corrupt rule. A group of parties in Vladivostok – which has become a byword for organised crime and corruption – issued an appeal to Mr Boris Yeltsin, the Russian president, demanding the former mayor's reinstatement. *John Lloyd, Moscow*

ECONOMIC WATCH

EU unemployment falls slightly



Source: Eurostat

European Union unemployment fell fractionally to 10.7 per cent in October from a revised 10.8 per cent in September, the EU statistics office said. Unemployment fell in the UK to 8.9 per cent from 10.3 per cent, in Denmark to 9.5 per cent from 10.7 per cent, in Ireland to 17.6 per cent from 18.4 per cent and in Spain to 22.1 per cent from 22.5, Eurostat said. In contrast, more people were without work in Italy, where the rate rose to 12.1 per cent from 11.3 per cent and in Luxembourg, where it climbed to 3.5 per cent from 2.8 per cent. The EU's male unemployment rate fell to 9.3 per cent in October from 9.6 per cent a year earlier, while the female rate rose to 12.8 per cent from 12.6 per cent. *Reuter, Brussels*

■ French non-farm market sector payrolls rose by 59,100 (0.4 per cent) in the third quarter of 1994, after gains of 0.2 per cent and 0.6 per cent respectively in the first and second quarters.

■ Industrial production in Denmark rose by 5 per cent in September compared with the same month last year.

UK holds back from Bosnia withdrawal

By Bruce Clark in London and Laura Silber in Belgrade

Britain decided yesterday to keep its peacekeepers in Bosnia for the time being, while the US offered to contribute a "substantial portion" of any Nato force sent to provide cover for a withdrawal.

A White House official said President Bill Clinton "believes it is important the US, as a leader of Nato, be ready to assist our allies if their forces are in danger". But the official added that Washington still hoped a withdrawal would be avoided and it recognised the humanitarian achievements of the European-led force of UN soldiers in Bosnia.

The latest US pronouncements – acknowledging the peacekeepers' role, while standing ready to help withdraw them if necessary – amounted to a gesture of reconciliation towards Washington's European allies.

In London, senior government ministers decided to keep the status of British troops in Bosnia "under very close review" after hearing gloomy assessments from Mr Douglas Hurd, foreign secretary, and Mr Malcolm Rifkind, defence secretary.

But no decision was made to withdraw the British contingent of more than 3,000 soldiers, and officials said they were still conscious of the tragic consequences a pullout could have.

The officials said London's pessimism reflected the negative signals coming from many different quarters in Bosnia, including Mr Radovan Karadzic, whom they viewed as "erratic and unpredictable" despite his offer this week to enter negotiations.

British officials also viewed as "disgraceful" an attack on UK policy in Bosnia by Mr Muhamed Sacirbey, the Bosnian ambassador to the UN, who has accused the UK of condoning the Serbs' conduct.

In Sarajevo, the UN accused the Croatian army of intervening directly in the fighting in Bosnia and called for its immediate withdrawal. The allegations of intervention by Zagreb have renewed fears of fighting between Croats and Serbs.

Mr Momcilo Krajisnik, a Bosnian Serb leader, warned that if the UN failed to act, Serb fighters would be "forced to reclaim Serbian lands" from the Croatian army in Bosnia.

Croatian intervention appears to be aimed at driving a wedge between Serb-held lands in Bosnia and Croatia. Mr Milan Babic, a leader of the rebel Serbs from Croatia, warned that Zagreb's military involvement would sabotage an agreement recently signed between the Croatian government and Serb-controlled areas on the restoration of economic links.

"This participation of the Croatian army clearly breaks international law and is a violation of the sovereignty of the territory of Bosnia, said Mr Thant Myint-U, a UN spokesman.

UN sees proliferation of Serb missile sites

Serb forces have installed missile batteries covering at least 40 per cent of Bosnia to blunt Nato air power in a further blow to the viability of the United Nations mission in the country, Reuter reports from Zagreb.

UN officials said that surface-to-air missile systems, springing up on Bosnian Serb-held terrain before and after Nato air raids on Serb targets, have compounded problems clouding the future of UN operations in Bosnia.

Serb forces have set up missiles trained on "40 per cent of Bosnian air space or more" in a challenge to Nato, whose sorties over Bosnia are meant to deter attacks by combatants on UN humanitarian operations.

The rocket sites were thought to be concentrated around the capital Sarajevo, Bihac and Banja Luka. The first two are government-controlled enclaves ringed by Serb forces, while Banja Luka is the largest Bosnian Serb city and bastion of their most vaunted army corps. UN officials said the proliferation of Serb air defence systems, coupled with the Serbs' detention of some 300 UN peacekeeping soldiers and increased shooting attacks on UN patrols, were wreaking havoc with the peacekeeping mission.

"This sort of outrageous behaviour is affecting the reassessment of the Unprofor mission going on in national capitals. There is a limit to what we can endure," UN protection force spokesman Michael Williams told reporters in the Croatian capital.

Serb forces have set up missiles trained on 40 per cent of Bosnian air space or more in a direct challenge to Nato air power

He said Unprofor's plight was symbolised by a new Serb mobile SAM-6 missile battery outside Sarajevo thwarting any resumption of a vital UN airlift to the Bosnian capital. The Serbs also have shoulder-fired SAM-2 and fixed-site SAM-7 missiles. The airlift was suspended after the Serbs threatened retaliation over Nato air strikes last month that knocked out several rocket sites and an airfield to punish the rebels for bombing Bihac, a supposed UN "safe area".

The Serbs' warning, given teeth by repeated pinpointing of patrolling Nato jets by their air defence radar, also prompted Nato to ground its aerial task force for a week.

"There's been no let-up in Serb harassment of UN personnel (despite UN requests)," Mr Williams said.

"(For example) the detention of UN personnel hardly contributes to a favourable assessment for (continuation) of Unprofor's mission. Detentions are part of a larger picture, increasingly preventing a successful operation of Unprofor. "The limits must be decided by the national governments and the UN security council," he said. "Our credibility is obviously a matter of considerable concern now."

Mr Williams added that the Bosnian Serb high command was "quite adamant" in telling Unprofor last Monday that it would not restore safety guarantees for the Sarajevo airlift as long as its forces were exposed to Nato air attack.

The aerial bridge into Sarajevo has provided 83 per cent of the vital supplies for the Bosnian's capital's 380,000 inhabitants since it was started more than two years ago. There are fears that the city will start running critically short of supplies if the airlift is not resumed within a week.

Strong yen biggest risk for Japan

By William Dawkins in Tokyo

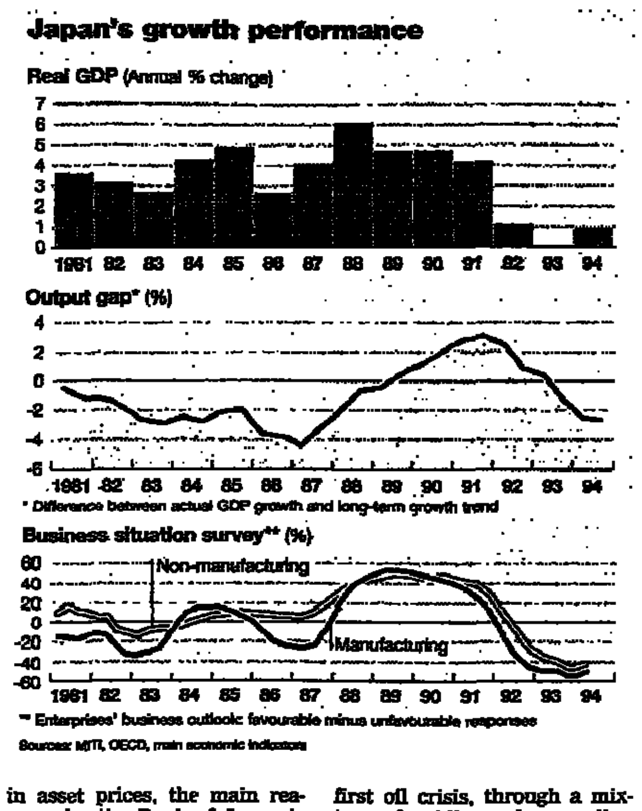
The yen's strength is the biggest risk to the emerging economic recovery in Japan, the Organisation for Economic Co-operation and Development warned yesterday.

Its annual survey of Japan argues that the high yen could force companies to reduce capital investment and employment again, in response a decline in export market share. At present exchange rates, gross domestic product is expected to rise by 1 per cent this year – higher than the OECD's preliminary June estimate of 0.8 per cent – and by 2.5 per cent in 1995.

The OECD does not expect Japan to revert to the high growth rates of the 1980s, though it says there is a "good chance" that this upswing will be more durable than last year's phantom recovery.

A cut in official interest rates could ease the pressure on the yen and lift sluggish credit growth, says the OECD, a regular critic of the Bank of Japan's cautious monetary policy. Yet the need for monetary relaxation is being reduced as the economy strengthens, it admits. The OECD counsels against risking another boom in asset prices, the main reason why the Bank of Japan is reluctant to cut official interest rates below their already record lows.

On the whole, the Japanese government wins the OECD's praise for the way in which it has pulled the economy out of the deepest recession since the first oil crisis, through a mixture of public works spending worth 10 per cent of GDP over the past two years, income tax cuts, and easy monetary conditions. This strategy has had success in compensating for the declines in private sector investment and exports, where the recession was rooted.



Private consumption, stimulated by the tax cuts, appears to be leading a turnaround which started in the first half of this year. Business investment is expected to follow, to stabilise from a four-year decline in the second half of the year and to start growing again in 1995.

However, output will continue to be below potential, so that the present gentle decline in consumer prices will continue in 1995. Unemployment, now at 3 per cent, is expected to drop slightly as growth recovers. Imports should rise rapidly enough for the current account surplus to fall from last year's 3.1 per cent of GDP to 2.8 per cent this year and 2.5 per cent next.

The government should now turn its attention to controlling the budget deficit, which has risen steeply since 1992, so as to fund the fiscal packages. This piece of advice will please the austere finance ministry as it fights other ministries' claims for increased spending in the final preparation of next year's budget, due to be published late this month.

According to the report, the combined central and local government deficit will rise by two percentage points this year to nearly 6 per cent of GDP. This would bring gross debt, excluding a temporary surplus on the social security budget, to 83 per cent of GDP, well above the OECD average.

A recently agreed increase in Japan's sales tax will help restrain the deficit and contribute to finding an expected rise in welfare payments, says the OECD. A further shift towards indirect taxation is recommended, because the government is seen as over-reliant on revenues from direct taxation at a time when the income tax take is set to decline because of a fall in the number of wage-earners. The government should meanwhile seek more savings by making the public sector more efficient, the OECD recommends.

In the medium term, the key to sustaining the recovery lies in economic deregulation, says the OECD. Yet progress so far in reducing regulations on business, representing 42 per cent of total value added, is widely seen as too cautious and slow, says the study. The four deregulation packages published over the past year covered some of the issues in a 1988 deregulation scheme, much of which remains to be adopted.

The government should switch its deregulation strategy from the present focus on packages containing hundreds of small steps to the sweeping approach advocated by Mr Gaishi Hiraiwa, former chairman of the Keidanren, Japan's leading business federation, in a report to the government.


Kaifu: on top

Kaifu is elected to head new alliance

By William Dawkins in Tokyo

Mr Toshiki Kaifu, a former Japanese prime minister, yesterday staged a political comeback when the country's new opposition alliance elected him as its first leader.

Mr Kaifu, only seven months ago a member of the Liberal Democratic party, now leads the New Frontier party (NFP), the main political threat to his former colleagues. It is the result of a merger of nine opposition groups, to be formally launched tomorrow, dedicated to making Japanese politics more responsive to the aspirations of the electorate than to the will of party factions.

The NFP's birth comes two weeks before the introduction of the new political and electoral system, pioneered by Mr Kaifu, which provided the impulse for its formation.

He won 131 of the votes cast by the NFP's 214 upper and lower house members of parliament, easily beating his main rival, Mr Tsutomu Hata, prime minister of the last government, who attracted 52 votes.

Mr Ichiro Ozawa, Japan's most powerful behind-the-scenes political strategist, who engineered the NFP merger, was elected unopposed as secretary general.

Yesterday's vote reunites the pair who brought the LDP a general election victory in 1990, when Mr Kaifu was LDP prime minister and Mr Ozawa his secretary general. This brings some stability to formerly shaky opposition politics, though the new party is marred by rivalries at the top.

It also gives Mr Kaifu, 64, some compensation for his failed attempt for power on leaving his old party last June in protest at the LDP's decision to back Mr Tomiichi Murayama, head of the Social Democrat party, to succeed Mr Hata as prime minister. Mr Kaifu stood against Mr Murayama and lost by a wide margin.

Mr Kaifu's first job will be to resolve discord between his most important supporters, exposed by the election battle. Relations have cooled between Mr Ozawa and Mr Hata, formerly close political partners who brought down the LDP after 38 years in power by leading a defection to form an opposition group early last year.

Despite the problems at the top, the pressure on party members to stay united is strong.

The NFP has 187 seats in the lower house, well short of the ruling coalition's 293. It can increase this only by wooing defectors and by staying united in the general election, which some senior LDP officials favour holding early next year. New funding rules favour large parties.

INTERNATIONAL NEWS DIGEST

Thai coalition faces crisis

Thailand's coalition government has been thrown into crisis after the New Aspiration party of Mr Chavalit Yongchaiyudh, interior minister, voted with the opposition to defeat a government bill to democratise village government.

Mr Chuan Leekpai, prime minister, was quoted last night as saying he wanted the NAP to leave the government, although this was likely to deprive him of his majority. Mr Chavalit, who is to decide today what to do, had stuck to promises he made to village headmen that he would try to block government moves to open their posts to election.

Yesterday he said: "This idea that all coalition allies must always vote together is something drummed up by the government. We have to vote for what we think is right."

Parliament may not be dissolved as a result, however. Prof Suchit Bunbongkorn of Chulalongkorn University said: "I don't think any of the parties really wants an election – elections are very expensive and even the opposition can't be certain they'll gain seats." Mr Chuan could try to entice one of the opposition parties over to replace the NAP's 51 seats. But he would find it uncomfortable to work with many old-style money politicians in the opposition. *William Barnes, Bangkok*

Gaza elections still undecided

High-level talks in Gaza and Tel Aviv yesterday cleared the air between Israeli and Palestinian negotiators but did not yet open the door to elections in Gaza and the West Bank. An Israeli official reaffirmed after a special cabinet session that Israel would contiue to implement the declaration of principles of September 1993 which mapped out self-determination for the Palestinians. Any modifications would be made through negotiations.

Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, acknowledged "the necessity of the Israelis for security." He was speaking after a meeting with Mr Shimon Peres, Israeli foreign minister. Mr Arafat, Mr Peres and Mr Yitzhak Rabin, the Israeli prime minister, are expected to consult during the Nobel Peace Prize ceremony this weekend. *Eric Silver, Jerusalem*

Individual contracts blocked

Australia's Industrial Relations Commission, the main labour market arbitration body, yesterday blocked attempts by CRA, the Australian resources group, to move workers at Bell Bay aluminium smelter in Tasmania on to individual staff contracts. CRA, which is 49 per cent owned by Britain's RTZ, has been at the forefront of companies attempting to introduce individual staff contracts at various sites, but its labour market policies have been strongly attacked by Australian unions. *Nikki Tait, Sydney*

Cigarette maker claims win

Philip Morris, the US-based cigarette, food and brewing group, yesterday claimed a partial victory in its battle with the Australian government over the nation's anti-smoking laws, after the goverment filed amendments to the 1992 act in parliament.

Morris had argued that restrictions imposed by the 1992 law, which in effect banned cigarette advertising, were so draconian that the company was denied the right to take part in debate on political, public and social issues, and "normal" commercial freedom of speech. *Nikki Tait, Sydney*

S Korean carworkers strike

Workers from four South Korean motor vehicle companies yesterday staged strikes to protest at the government's decision to allow Samsung to produce passenger cars. The stoppagereflects worries that Samsung's entry into the car industry will result in production overcapacity that could threaten the future of one or more current manufacturers.

The strikes involved Kia Motors, its truck subsidiary Asia Motors, Daewoo Motor and Ssangyong Motor, all of which are considered vulnerable to a challenge by Samsung. A refusal to strike by workers at Hyundai, the country's largest carmaker, weakened the industrial action. *John Burton, Seoul*

Cabinet reshuffle in Tanzania

Tanzania's President Ali Hassan Mwinyi has reshuffled his cabinet after mounting pressure from western donors, angry about corruption. He has sacked Mr Kighoma Malima, his finance minister and replaced him with 42-year-old Mr Jakaya Mrisho Kikwette, a staunch insider of the ruling Revolutionary party. He has fired prime minister John Malecela, a strong reformist, in favour of Mr Cleopa Msuya, who is tipped to become presidential candidate in multi-party elections due next year. *Reuter, Dar es Salaam*

■ Mr Paul Iseman, senior World Bank director for South Asia, said he had advised both the Pakistani government and opposition to tone down their growing political confrontation for their country's economic benefit. *Reuter, Islamabad*

■ The Philippines may abandon an economic programme drawn up with the International Monetary Fund if tight monetary targets are not relaxed, according to Mr Cielito Habito, economic planning secretary. An IMF mission is in Manila to review compliance with the targets agreed as part of a $684m, three-year programme. *Reuter, Manila*

■ Indian advertising agencies boosted billings 37.4 per cent in 1993-94, according to an annual survey conducted by A&M, the country's leading marketing and advertising magazine. *Shiraz Sidhva, New Delhi*

■ The New Zealand government yesterday offered the Maori people NZ$1bn (£405m)in permanent settlement of all land claims dating back to 1840, but Maori leaders said it was not enough. *Terry Hall, Wellington*

Tokyo's ruling coalition gets WTO ratified

By William Dawkins

Japan yesterday ratified the establishment of the World Trade Organisation, the climax of a prolific parliamentary session, ending today, the results of which will be felt for many years.

In passing the WTO bills, the three-party ruling coalition of conservatives and socialists has defied its critics. Many thought it would be too divided to govern effectively when it seized power at the end of June, ending the Liberal Democratic party's humiliating year in opposition.

The government has in its first full 10-week session since taking office passed laws to bring significant changes to the political and electoral system, tax, pensions and farming.

The LDP's skill in cajoling and coercing its socialist partners enabled it to dominate important parliamentary committees, where agreements are prepared in private before public adoption in the chamber. The session's achievements, obscured by the political wranglings of the past few months, include:

● **Political reform.** Japan's discredited old method of choosing members of parliament, a unique multi-seat constituency system where politicians could win a seat with as little as 10 per cent of the vote, switches on December 25 to a mixture of single-seat and proportional-representation districts. Many MPs are uncomfortably aware that, as a result, they may now be sitting out their final term.

● **Farming.** Rice imports are to begin in January, breaking a historic taboo on regular (rather than emergency) sales of foreign rice. This is to happen in small stages, starting with 4 per cent of the market. It shows how the balance of power has shifted from once influential farming communities to cities, where consumers rather than producers are king.

To get agreement on this, the LDP had to resort to traditional methods – a Y6,010bn (£38bn) pay-off, officially to help farmers adjust to cheap international competition, also agreed during the last session.

But first, it needed the support of the Social Democratic party.

The price of that was another pay-off, to be enacted today, of Y100,000 per family to those still suffering from the effects of the 1945 atomic bombings. Nuclear victims constitute one of the few traditional left-wing causes that the socialists still uphold.

● **Tax.** An income tax cut, needed to stimulate demand as the economy enters a painfully slow recovery, is to be followed by an equally important rise in consumption tax, from 3 per cent to 5 per cent in 1997, needed to compensate for an expected decline in the income tax base. A botched attempt to achieve this contributed to the collapse of one Japanese government over the past year.

● **Pensions.** An increase in the pensionable age, from 60 to 65, plus a rise in national pension scheme premiums, against opposition from a weakened union movement. This is needed to reduce demands on Japan's rising budget deficit from the growing number of elderly. More than one in four Japanese will be over 65 by the year 2020, up from around 13 per cent now.

Yet the performance has won little thanks from voters. The sales tax increase is understandably unpopular.

Accordingly, the coalition's approval rating has plummeted during the session, to 29 per cent according to the latest poll, five percentage points lower than a previous survey published just before the session opened in September.

Japanese house prices compared internationally

1990 or 1991	Japan	France	Germany	Netherlands	UK	US
Detached house,* nationwide						
Price ($)	442,000		262,100	159,900	168,800	100,300
Ratio to average annual earnings	*15.5*		*9.8*	*5.5*	*7.5*	*3.9*
Detached house, capital city**						
Price ($)	660,100		436,800	179,400	244,100	
Ratio to average annual earnings	*20.6*		*16.4*	*6.2*	*10.8*	
Apartment,† capital city						
Price ($)	457,000	263,000	158,100	56,300	140,200	
Ratio to average annual earnings	*13.6*	*11.4*	*5.8*	*1.9*	*6.2*	

Sources: Delteich, Willems and Woods (1993); OECD; US Bureau of the Census

* An individual house standing on its own plot of land
** Or most expensive region in the case of the Netherlands
† Terraced house in the case of the UK

Time to end sky-high property price system

By William Dawkins

Japan's sky-high land and property prices are to blame for some of its most pressing economic problems, according to the Organisation for Economic Co-operation and Development.

Its latest report on Japan argues that more deregulation of the property market would increase quality of life and boost consumption. The need to lay aside nine times average annual income, at today's prices, to buy a small home helps to keep Japan's savings rate the highest in the world, so inflating its politically troublesome current account surplus, says the OECD.

High land prices also explain why Japan's infrastructure is well behind its economic wealth. Only 44 per cent of homes are connected to sewers and Tokyoites have only 2.5 square metres of parkland a head, less than a tenth of the green space available to Londoners, says the report.

The cost of commercial space is a barrier to investment by small and medium-sized foreign companies, one reason why foreign corporate investment in Japan runs at one twentieth of Japanese investment abroad.

By any measure, Japanese land prices are further above international norms than its consumer prices, even after the one-third fall in property values since the collapse of the asset price bubble in 1991. At $1,800 a square metre, the mean price of Japanese residential land is more than 12 times that of the UK, the most expensive in Europe, says the OECD.

To achieve the Japanese government's target of reducing house prices to five times average income from the current nine times, another 21 per cent fall in prices is needed, estimates the OECD. Radical changes to the tax system, to encourage a more liquid property market, are required. The OECD also calls for more flexible land leasing laws, to make it easier for landlords to change the use of properties.

This would enable a more efficient, and concentrated, use of land. Contrary to popular myth, Japanese cities are not particularly crowded, just poorly planned. Tokyo's population density, for example, is less than one-sixth that of central New York City. Astonishingly, 15 per cent of Japan's three largest cities is farmland, double the housing area. On top of that comes a substantial acreage of vacant parking areas and derelict industrial sites.

City populations are high because cities are more spread out than their OECD counterparts. Japan's largest cities sprawl across an acreage equivalent to half its farmland; the ratio for the rest of the OECD is 8 per cent.

Urban Japan's underused expanses exist partly because capital gains taxes on land decline the longer it is held, the annual rax on fixed assets is very low and land transaction taxes are high. So land is cheap to hold and expensive to sell. The law continues to give landlords no guarantee of being able to repossess property at the end of a lease, so hindering better use of underused land.

Japanese closure in Sri Lanka

By Mervyn de Silva in Colombo

Noritake, the Japanese ceramics group, has closed its Sri Lanka factory, one of the oldest foreign joint ventures on the island, amid a spate of industrial unrest which is threatening economic problems for the new government of President Chandrika Kumaratunga.

The move by Noritake, which makes tableware in Sri Lanka and had been expanding its plant, follows an eight-hour siege by factory workers on Monday, during which three company executives, including one Japanese, were held hostage. They were eventually rescued by police. The company was quoted as saying that the plant would not reopen unless all labour issues were resolved.

Korea-Ceylon Footwear, another foreign joint venture, has meanwhile seen its shares slide on the local stock market, after a wildcat strike by workers who demanded a 30 per cent pay rise and a large Christmas bonus. At a graphite mine, workers held a senior executive captive at the bottom of a graphite pit.

An attempt last month by a cabinet minister to organise a trade union at Ansell, the Australian rubber products company, was halted by Mrs Kumaratunga after the Australian High Commissioner had intervened.

Ansell operates in a free trade zone, where unions are prohibited.

According to a leading trade chamber, more than 100 labour disputes are taking place this week. Most are connected with bonus demands, but unions have gained confidence from the inclusion of left-inclined parties in the nine-party People's Alliance coalition formed during the summer.

A wounded country, sick of war, waits in hope for the fruits of UN-run elections, writes **Leslie Crawford**

Mozambique queues for a better life

In the port of Beira, the war refugees who squat in the cages of an old zoo are hoping life will get better after Mozambique's first democratic elections, which were held last month.

It could hardly get worse. They have no jobs and little food, their children do not go to school and, until recently, their lives were at risk from two of the zoo's older tenants: crocodiles which had also survived Mozambique's 17-year civil war.

Beira voted solidly for Mr Afonso Dhlakama, the guerrilla leader-turned-politician, as did five of the six most economically important provinces of Mozambique. But Mr Dhlakama's Mozambican National Resistance (Renamo) party did poorly in the capital Maputo and in the populous southern provinces, which returned the Mozambican Liberation Front (Frelimo) government to power.

The people of Beira have accepted the election results with equanimity. Local Renamo leaders appealed for calm, and their calls were heeded. In the Beira office of the Geneva-based International Organisation for Migration, former Renamo and Frelimo soldiers queue together waiting for their monthly demobilisation pay cheques and news of vocational training courses which might help them start a new life.

"The first men we demobilised were not soldiers, they were slaves," says Mr Martin Wyss, who co-ordinates the IOM's work in Beira. He was surprised at the lack of animosity between former combatants, and the absence of political debate during the election campaign. "They were sick of war. Most have returned to their villages."

At the Renamo headquarters in Beira, a filthy, dilapidated office block, the local party representative admits he is relieved Renamo did not win. "The government's coffers are empty and we would be castigated for not being able to rebuild the country," Mr Manuel Perreira says. "In another five years, we will be stronger and have a better chance of winning the next elections."

For the moment, all eyes are turned to Maputo, where the real political bargaining has begun. President Joaquim Chissano yesterday opened the country's first multi-party parliament, declaring: "Mutual respect is the first stage of tolerance, without which pluralism is impossible."

Both he and Mr Dhlakama have had much to digest since the election results were announced nearly three weeks ago. The Frelimo government, in power since independence in 1975, was shocked to discover the extent of Renamo's support. The former guerrillas won 112 of the 250 seats in the new parliament, while Mr Dhlakama polled 33 per cent of the votes cast in the presidential election, against 53 per cent for Mr Chissano. Mr Dhlakama is no longer to be dismissed.

At the same time, Mr Dhlakama knows that his performance at the polls was really a protest vote against Frelimo's autocratic 19-year rule. The economic heartland of Beira, traditional and religious chiefs, and the Makuas of northern Mozambique, the country's ethnic majority, have little in common but their hatred for a government run by southerners.

Having spent the $17m (£10.3m) donated by the United Nations to fight the elections, Mr Dhlakama has few resources with which to forge a political party out of such a disparate group of constituents.

Western donors have warned Mr Chissano that the survival of Mozambique's new democracy rests on his willingness to earmark state funds to finance all political parties represented in parliament – including the rebels he fought for 17 years.

They have also made the renewal of aid – which finances 55 per cent of the state budget – conditional on Mr Chissano's commitment to fashioning a new government which will encompass the country's ethnic and regional diversity and prize competence above party loyalty.

"Mozambicans have shown Frelimo the yellow card," says Mr Richard Edis, the British ambassador in Maputo. "The question is, will Frelimo take note and stop fouling, or will it get sent off before the next elections?" Mr Edis believes the donor community is willing to reward Mozambique's orderly transition to democracy – if Mr Chissano displays the necessary pragmatism.

There are few illusions regarding the fragility of Mozambique's new democracy or the difficult tasks that lie ahead. More than 3m people, displaced by the war, must be resettled. Some 75,000 soldiers must be re-integrated into civilian life and found jobs before their demobilisation pay runs out in 18 months.

The country is still awash with weapons – the UN is leaving next month without completing the search for hidden arms caches – and there are fears that this may lead to increasing crime. Economic reconstruction will be slow.

"For the past two years we have lived on hope," says Mr José Luis Cabaço, a long-standing Frelimo member. "Now that the elections are over, people expect democracy to bring prosperity, just as they believed Marxism would bring development after independence. It may be just another unrealistic dream."

Chiapas governor takes office

By Ted Bardacke in Tuxtla Gutiérrez

Street protest: Opposition supporters camp in the main square of Tuxtla Gutiérrez, capital of Chiapas state, ahead of Mr Amado Avendaño's parallel inauguration as "governor" *Associated Press*

Mr Eduardo Robledo was sworn in as the new governor of the troubled southern Mexican state of Chiapas yesterday, despite threats by armed rebels there to renew their attacks.

In a ceremony protected by more than a thousand soldiers and plain-clothes police, and attended by the new Mexican president, Mr Ernesto Zedillo, the governor offered to resign, "if that meant the Zapatistas putting down their arms".

A tense truce between the government and the Zapatista rebels has held in Chiapas since January 12 after several days of fighting had killed more than 150 people. The rebels launched their rebellion on January 1, demanding more scope for indigenous peoples in the state and greater democracy. They claim Mr Robledo, of the ruling Institutional Revolutionary party (PRI), won August's gubernatorial election by fraud.

Despite Mr Robledo's offer, the Zapatistas show no sign of giving up their struggle. The masked rebel leader known as Sub-commandante Marcos said late on Tuesday his forces "recognised Robledo's swearing-in as the formal rupturing of the ceasefire by the federal government".

In a speech immediately following Mr Robledo's inauguration, Mr Zedillo said the government's unilateral ceasefire would remain intact. The president also called for renewed negotiations between the federal government and the Zapatistas. This call was rejected by the rebels, who say Mr Robledo's resignation is a precondition of negotiations.

The governor's offer to resign is not seen as a real option for the PRI because, if he were to quit, that would be taken as a precedent for other elected PRI officials in Mexico, many of whom are also accused of fraud at the polls.

Soon after Mr Robledo was sworn in, Mr Amado Avendaño, who ran for the governorship for the leftist opposition Democratic Revolutionary party, also took an oath of office before thousands of peasant supporters in the central square of the state capital, Tuxtla Gutiérrez.

Mr Avendaño, who has the backing of the Zapatistas and claims electoral fraud cheated him of office, said he would set up a parallel government in the nearby city of San Cristóbal de las Casas. His supporters say they will pay no taxes to the Robledo government and will continue their civil disobedience.

Officials say they will tacitly recognise Mr Avendaño's role in the hope of maintaining peace in the state and reopening negotiations with the Zapatistas.

Art meets gambling – jackpots all round

Bernard Simon on a Canadian success story

Many eyebrows were raised last year when the province of Ontario picked an art gallery in Windsor – a drab, motor industry city just across the US border from Detroit – as the site of the first casino in Canada's industrial heartland.

Art patrons were aghast that the gallery, a beacon of culture in a city dominated by car plants, had agreed to move to the windowless bowels of a suburban shopping mall. In contrast to the handsome riverfront property which it occupied for 20 years, the gallery now abuts a bargain department store.

For their part, the casino's operators were not sure whether the gallery's red-brick building, which started life as a brewery, suited their purposes. About C$25m (US$18.2m) was spent to convert the building into a casino by, for among other things, installing a large staircase and a spacious foyer.

But the partnership between gambling and culture is turning out to be a huge – and highly profitable – success for both the casino and the art gallery.

The casino, owned by the province but managed by a consortium of US casino operators, opened last May. With revenues reaching C$46m in October and expected to total C$350m-C$450m for the first full year of operation, it claims to be the most profitable casino per square foot in the world.

"Some casinos would be pleased to have some of our worst days as some of their best days," says Mr John O'Brien, president of Windsor Casino, the operating company owned by Hilton Hotels, Caesar's Palace and Circus-Circus.

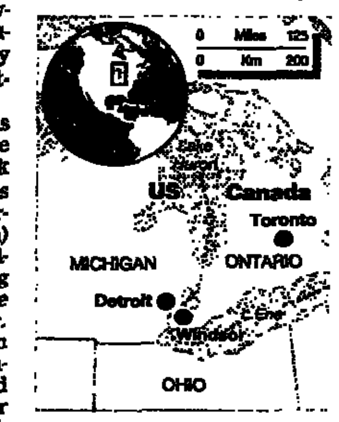
Meanwhile, the move to the Devonshire Mall has invigorated the art gallery. "We're a business," says Ms Nataley Nagy, the gallery's lively director. "The time has come for museums to show a little muscle, and this was an opportunity for us to do that."

According to Ms Nagy, "The product remains the same, but we're looking at different ways to deliver it." For instance, the gallery is putting bigger labels on its displays to appeal to a less high-brow mix of visitors.

Attendance has shot up by a third since the gallery opened in its new premises a year ago. Gifts of paintings and sculptures are at record levels.

The richest irony is that the gallery may have a more secure future than the casino.

Although the Windsor casino is the first in Ontario, it is just



one of dozens that have sprouted across North America in the past two to three years. Deficit-strapped regional governments and impoverished Indian communities have discovered gambling as a rich source of tax revenues.

Ontario and the US states close to Windsor have so far been slow to join the stampede. With the closest casino about 400 miles away, Mr O'Brien estimates that about 80 per cent of the money wagered at the Windsor casino's 1,740 slot machines and 68 tables comes from US gamblers.

The neighbouring state of Michigan has so far resisted pressure to reverse its ban on gambling. But the tide may be overwhelming. After turning down four previous proposals to legalise casinos, Detroit residents voted in favour last August.

A month later, the state governor set up a commission to examine the issue further. Its report is expected early next year. "Every gaming interest has a lobbyist in town," says an official in the governor's office.

Similarly, Ontario – whose social democratic government came to office four years ago promising to maintain a ban on gambling – agreed this week to allow an Indian community north of Toronto to build the province's second casino and is considering bids for casinos in several other cities.

Revenue Properties, a Canadian developer, announced last week that it was setting up a division to invest in the gambling business.

"The market is large enough to support several casinos in the area," Mr O'Brien says. The one challenge is that "we may have to work a bit harder and spend a few more dollars from a marketing standpoint."

Mr O'Brien hopes that Windsor's reputation as a safer city than Detroit and US visitors' ability to stretch their dollars by gambling in Canadian currency will keep the crowds coming. On the other hand, some gamblers grouse about Canada's strict drinking laws, which bar casinos from serving free drinks at the slot machines and baccarat tables.

However, the Windsor partners are confident enough about the future to plan to begin construction next spring on a permanent C$375m casino six blocks east of the art gallery.

The art gallery will probably return to the riverfront property once the casino moves into its own home. It will return in much better shape than it left. The province will pay to convert the building back into an art gallery. Rent paid by the casino during its three-year lease is expected to provide a C$4m nest egg.

The gallery's president, Mr Ron Ianni, wrote to donors recently that the dalliance with the casino "was a unique opportunity for us to build an endowment fund which... we never could have managed, even in 50 years of fund-raising."

AMERICAN NEWS DIGEST

CIA settlement over sex bias

The CIA has agreed to settle charges of sex discrimination by one of the agency's senior female spies in a deal valued at $410,000 by the spy's attorney. The complaint, filed under seal in federal court in August by "Jane Doe Thompson", a pseudonym for the female CIA employee, portrayed the agency as rife with womanisers and drinking and generally hostile to women. Mr James Woolsey, CIA director, said in a statement that he agreed to settle the case but that the organisation "does not concede the assertions of gender discrimination Ms Thompson has made against the agency or its individual officers".

Ms Victoria Toensing, Ms Thompson's attorney and a former Justice Department official, said the lawsuit alleged both sex discrimination and violations of Ms Thompson's constitutional rights. Ms Thompson has been identified by numerous press reports as Ms Janine Brookner, the first female station chief in Latin America and a 21-year veteran of the agency. The reports said her ordeal began when she was sent to clean up the agency's operation in Jamaica. *Reuter, Washington*

Lung cancer claims Madigan

Mr Edward Madigan, former secretary of agriculture and a nine-term US congressman from central Illinois, died on Wednesday, aged 58. He was diagnosed as having lung cancer earlier this year and was admitted to hospital last week. Mr Madigan, a moderate Republican from Lincoln, was elected to the House in 1972 but lost his bid in 1989 to become Republican Whip to Mr Newt Gingrich of Georgia in a battle between the moderate old guard and the Republican party's younger, more confrontational wing.

He was the ranking minority member on the agriculture committee when President George Bush picked him in January 1991 to succeed Mr Clayton Yeutter. As agriculture chief, Mr Madigan sought to make programmes more farmer-friendly, improve nutritional education, and increase research on new uses for farm products. In his last two weeks as agriculture secretary he presented a plan for closing and merging 1,300 field offices. After putting the plan on hold for a time, the Clinton administration this week announced the closing of more than 1,000 offices in the fourth-largest federal agency. *AP, Springfield, Illinois*

Bossa nova's founder dies

Antônio Carlos Jobim, the founding father of Brazil's bossa nova music who composed The Girl From Ipanema, died of heart failure yesterday in a New York hospital. He was 67. Jobim, Brazil's most prominent songwriter and composer, burst on to the international music scene with the bossa nova sound in the early 1960s. The Girl From Ipanema earned him and the late US jazz saxophonist Stan Getz four Grammy awards.

Bossa nova's distinctive rhythms and catchy melodies became a musical craze around the world and influenced jazz and popular music for years. Apart from Getz, Jobim recorded with such stars as Frank Sinatra and British singer Sting. *Reuter, New York*

Dominant Republicans cloud Clinton successes

By Nancy Dunne in Washington

President Bill Clinton yesterday signed the implementing legislation of the Uruguay Round – completing the second of three foreign and trade policy successes which were supposed to end his year on a high note.

However, the Republicans, still buoyant over their takeover of Congress, have been capturing the daily headlines with their proposals. The effect has been to marginalise Mr Clinton in both domestic and foreign policy arenas.

A new poll attests to Republican successes. The survey found 41 per cent of voters approved of Mr Clinton's presidency, while 47 per cent disapproved. Two-thirds of Democratic voters wanted to see the president challenged in his re-election campaign.

This was not how administration planners saw the end of 1994. Mr Clinton was to set a date for regional free trade at the Asia-Pacific economic summit, win approval for Gatt, and complete an historic summit of democratically elected Latin American leaders with a strategy for hemispheric free trade.

But domestic concerns have overshadowed the events. At an emotional ceremony in the ornate hall of the Organisation of American States in Washington yesterday, Mr Clinton tried to address the anxious US middle class. "It is true that one of the reasons for stagnant wages is intense competition in our markets... by people who work for wages our people can't live on," he said. However, stability could not be restored without growing exports.

"We must go into the 21st century convinced that the only way to preserve the American dream is to be involved with the rest of the world."

The Gatt ceremony was not televised and few Americans will know it took place. Instead, they were hearing from Mr Newt Gingrich, the House speaker-in-waiting.

On Wednesday he slashed funding for congressional caucuses – which brought charges of "ethnic cleansing" from the black caucus. Yesterday he proposed eliminating federal funding for the Corporation for Public Broadcasting, which provides a counterbalance to the religious right and conservative talk show hosts who hold sway over the radio airwaves.

Falkland fishing rights talks stall

By David Pilling in Buenos Aires

Talks between Britain and Argentina over fishing rights around the disputed Falkland islands have temporarily broken down after the two sides failed to agree on catch quotas.

Although a joint official statement maintained that talks held in Buenos Aires had been "cordial", the two sides remain far apart. Argentina, which still claims sovereignty over the South Atlantic islands despite its defeat by Britain in the 1982 Falklands conflict, has previously co-operated over the setting of fishing limits.

Mr Fernando Petrella, Argentina's deputy foreign minister, yesterday denied reports that Buenos Aires had unilaterally declared a quota of 220,000 tonnes, but confirmed it "believes there is no problem aiming for the maximum catch possible".

He said scientific reports indicated that levels of fish around the islands were such that there was no need to repeat last year's bilateral agreement, in which the Argentines and Falkland islanders agreed to limit their catch as "the resource was becoming scanty".

The British government is likely to consider provocative a statement by Mr Guido di Tella, foreign minister, late on Wednesday night. He said: "Last year we did not catch [our full quota of] 220,000 tonnes, but this year we will do so because our scientific information indicates that this will not affect the biomass."

Both governments are insisting talks will be reconvened before the fishing season begins early next year.

All-Americas free trade zone 'by 2005'

By George Graham and Stephen Fidler in Miami

Leaders of 34 countries in the western hemisphere are expected to agree on plans to set up an Americas Free Trade Area by 2005 when they meet in Miami over the next three days in the first Americas summit since 1967.

Just a week ago it seemed likely that no date would be set for completing the free trade negotiations, but negotiators now express confidence that a firm date will be included in the final summit declaration to be issued on Sunday.

"We're making progress towards that and we hope to achieve that by the time we get to Miami," said Mr Mickey Kantor, the US trade representative, who also promised immediate, concrete steps towards economic integration in the region.

While some countries were reluctant to pin down a year, others, led by Argentina, argued that it would be a severe setback if the Americas summit were unable to agree on a date, when leaders of the Asia Pacific Economic Co-operation forum last month had accepted a target date of 2020 for establishing a free trade zone in the Pacific.

Argentina wanted the Americas Free Trade Area to be established even sooner, and the summit declaration is expected to acknowledge this by calling for "progress towards attainment of these objectives by the end of this century."

The declaration of an Americas Free Trade Area is expected to be accompanied by the announcement that Chile will be invited to begin negotiations early next year on joining the US, Canada and Mexico in the North American Free Trade Area.

US administration officials, fresh from their victory in winning approval by Congress of the General Agreement on Tariffs and Trade, are keen to take another step forward towards trade liberalisation.

"I think we have to take a lead. If we don't work with our hemispheric partners in building this relationship on trade with the Americas, then we're going to find that the Japanese and the Europeans are going to work to be their partners," said Mr Lloyd Bentsen, the US treasury secretary.

The Miami summit is the first western hemisphere summit to be hosted by the US – something that would have been difficult in earlier decades when the US was viewed as a domineering imperial power by many Latin American countries. Unlike previous regional summits in Panama in 1956 and in Uruguay in 1967, this summit will be attended only by popularly elected leaders. The only country in the region not to be invited is Cuba.

Cuba is not specifically mentioned in the draft summit communiqué, but some Latin American countries are keen to air their differences with the US policy of isolating the government of President Fidel Castro.

US security officials are also worried about the prospect of demonstrations by Miami's 564,000 Cuban exiles, many of whom who are angry about the detention at the US military base of Guantánamo of Cubans who tried to reach Florida by raft this summer.

Some Latin American leaders were upset about Mr Clinton's choice of Miami for the summit, partly because it was seen as an obviously antagonistic gesture towards Mr Castro.

Gatt chief Peter Sutherland opens the WTO implementation conference in Geneva yesterday. With him is an assistant, Arif Hussain AP

Inauspicious start for new, more powerful, international trade body

Disputes mar launch of WTO

By Frances Williams in Geneva

Trade envoys from more than 120 nations yesterday gave their formal blessing to the creation of the World Trade Organisation on January 1, following ratification of the Uruguay Round trade agreements by 50 countries. Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, said at least 100 nations were expected to be members of the WTO on its starting date.

But the launch celebrations for the new world trade body, which will have much wider powers than Gatt to police fair trade rules and settle disputes, were muted by continued uncertainty over choosing the head of the WTO and over whether China will succeed in its attempt to become a founder member.

Trade diplomats said yesterday that the continued stalemate in the three-way contest for the WTO top job made a decision before the end of the year improbable. It now looks virtually certain that Mr Sutherland will be asked to stay on in a caretaker role until his successor is chosen.

Mr Renato Ruggiero of Italy, the European Union candidate, is said to be well ahead of the field, with over half Gatt's 124 members in his favour. But he is far from mobilising the necessary consensus.

Mr Carlos Salinas de Gortari, who is supported by the US and Latin America, has only just begun his campaign after leaving office as Mexican president at the beginning of this month. Mr Kim Chul-su of South Korea, with Japan and most of Asia behind him, is also proving a more formidable candidate than expected.

Meanwhile, intensive negotiations this month in Geneva on China's bid to join Gatt and the WTO have made little headway. "The Chinese are still playing hardball," Mr Andrew Stoler, deputy US Gatt ambassador, said yesterday, commenting on four days of bilateral talks between China and the US.

Mr Hugo Paemen, the EU's top trade negotiator, said China's membership negotiations "are not in good shape at the moment".

Beijing, which wants WTO founder-member status, is insisting that substantive talks must be completed before the end of the year, after which it will make no more trade concessions.

However, the US and other western nations argue that China still appears unprepared to accept fully the fair trading rules that are a condition for Gatt and WTO membership, and has failed to offer sufficient access to its domestic market for foreign goods and services.

Apart from the January 1 starting date, the WTO implementation conference yesterday agreed that countries would continue to apply Gatt rules to non-WTO members for a further year. Because of the lengthy fact-finding procedures involved, complaints can be brought under Gatt's anti-dumping and anti-subsidies codes for another two years.

EU turns Mideast commercial matchmaker

Mark Nicholson watched a 'dating agency' for Arab and Israeli businesses in action in Cairo

Almost 1,000 small and medium-sized European and Middle Eastern companies yesterday wound up a three-day commercial matchmaking forum sponsored by the European Union to promote European-Middle Eastern business ties, and cross-border alliances within the region itself.

It was the first time Israeli and Arab businesses had met openly to discuss business deals on such a scale, and it was hailed by organisers and participants alike yesterday as a success.

"The important thing was how completely normal it was to see Israeli and Arab businessmen dealing with each other," said Ms Anahid Harrison, the project's co-ordinator. "There was no sense of strangeness."

The companies, embracing construction, tourism, electrical, electronic, textiles, engineering and other industries, were brought together for 10,500 face-to-face meetings after being matched by the computerised equivalent of a corporate dating agency.

The event was the first of a seven-year-old EU programme, known as Europartenariat, to be held outside Europe. It was designed, according to Mr Raniero Vanni D'Archirafi, EU commissioner for internal markets, to translate Israel's peace accords with Jordan and the Palestinians into "practical programmes for economic development". EU officials said they hoped to repeat the event every two years.

Extrapolating from the results of previous Europartenariat events, organisers say up to 40 per cent of the thousands of direct meetings result in long-term business alliances or joint ventures. In an informal poll, participants said they believed well over half their meetings would result in future business co-operation.

On that basis, and judging from the enthusiastic reports of many Arab and – particularly – Israeli businesses, the event is likely to have given the most tangible nudge yet to Israeli-Arab commercial co-operation. "The main interest for Israeli companies has been to meet possible partners in the region – for Israeli business there's no problem for them meeting European partners. We're here to meet the Egyptians and Jordanians," said Mr Michael Admon of the Israel Export Institute.

> 'I was expecting a wall as high as the ceiling,' said one Jordanian hotelier after meeting Jewish travel agents. 'I found just a little barrier'

Although Syria and Lebanon boycotted the meeting – as they have all multilateral events involving Israel in the absence of their own peace accords with the Jewish state – more than 540 Israeli, Egyptian, Palestinian and Jordanian businesses participated, alongside more than 400 European companies.

Several Middle Eastern businessmen expressed disappointment at the quality and representation of European companies at the meeting, the bulk of which were from Germany, France, Italy and Belgium. "Most of them are just here to find ways of selling their products," said one Jordanian businessman.

"The most activity was among Middle Eastern companies doing deals with each other," said Mr Wael Amin, manager of PIE, one of Egypt's biggest software companies, who said he expected to enter agreements with Israeli partners to develop and market Arabic software to the Gulf states. "It's still a bit premature for the Europeans to be treating the Middle East as a unified market."

Many Arab participants expressed surprise at how straightforward and politically uncomplicated it proved to deal with their Israeli counterparts. "I was expecting a wall as high as the ceiling," said one Jordanian hotelier after meetings with Jewish travel agents. "I found I just had to step over a little 10cm barrier."

But there was also evidence that not all political barriers in the region have quite vanished. A 38-strong Israeli dance troupe due to perform at a gala soiree during the event, for instance, unaccountably failed to receive visas from the Egyptian authorities.

WORLD TRADE NEWS DIGEST

Microsoft opens Chinese Window

US software giant Microsoft signed an agreement yesterday with China to create a new standard for Chinese personal computer operating systems. Microsoft signed a memorandum of understanding with the Ministry of Electronics Industry to create the standard by developing and delivering a Chinese version of Microsoft's operating system, Windows 95, in partnership with Chinese companies.

The new operating system will accelerate the growth of personal computing in China by making PCs easier to use and by providing a new generation of Chinese software applications, Mr Charles Stevens, vice president for the Far East region of Microsoft, said. The Chinese version of Windows 95 – the next generation of its flagship Windows due for release next year – will be fully compatible with Microsoft's worldwide Windows product engineering and design. Beijing regulators had refused to accept the Chinese version of Windows as a standard for China after Microsoft alienated electronics ministry officials by developing the mainland version, nicknamed P-Win, not in China but in Taiwan, which uses a different form of Chinese characters and dissimilar methods of keyboard entry. *Reuter, Beijing*

Beijing's five star tastes

China has become one of the world's greatest consumers of expensive French cognac, luxury liquor company Rémy Cointreau said yesterday. Managing director Patrick Bompoint, whose company produces champagne and speciality liqueurs, said Rémy Cointreau was selling more than FFr1bn ($190m) of liquor to China each year. Speaking at an informal meeting of bank, stock market and business officials hosted by Paribas Luxembourg, Mr Bompoint said Russia ranked second, after China, in sales for his company. In 1988, the US held top position for expensive liquor sales, and China and Russia did not even appear in the top eight. The Pacific area, including Japan, Hong Kong and Australia, accounts for 34 per cent of Remy-Cointreau's worldwide sales. *Reuter, Luxembourg*

Growth in world trade doubles

The growth rate of world trade in goods is expected to double this year to around 7 per cent from 3.5 per cent in 1993, according to Gatt economists, The increase reflects economic recovery around the world, especially in the European Union and Japan. Giving these preliminary estimates, Mr András Szepesi, chairman of Gatt's contracting parties (members), told the Gatt annual meeting that significant cuts in trade barriers negotiated in the Uruguay Round would give the international trading environment a new dynamism and vitality. However, in a reflection of widespread concern among Gatt members, he said more attention should be paid to scrutiny of regional trading arrangements and called for a review of the Gatt working party system which will be carried over into the World Trade Organisation. More than 50 working parties have failed to agree on whether individual free trade pacts are consistent with Gatt. *Frances Williams, Geneva*

British boost for Argentina

Argentina's campaign to re-establish itself as a trustworthy trading partner was boosted yesterday with the underwriting of a $9.5m buyer credit by Britain's Export Credit Guarantee Department, the biggest such deal since ECGD cover was restored in June 1993. The approval by the ECGD, which suspended cover after the Falklands conflict in 1982, will be seen by Argentina as a significant step towards repairing its damaged international image. In spite of the ending of hyperinflation and the unleashing of very fast growth rates, Argentina has not yet entirely overcome its past reputation, tarnished by military governments and virtual economic collapse.

The ECGD decision follows the successful bid by Babcock International of the UK to supply computer-controlled inspection equipment to the Atucha II nuclear power station being built 70 miles north-west of Buenos Aires. Although ECGD premiums to Argentina were reduced by Britain last December, UK businessmen in Buenos Aires complain that the country-risk premium is still too high, given Argentina's recent solid economic performance. Mr Nicolas Grose-Hodge, president of the Argentine-British Chamber of Commerce, believes British companies may have lost millions of pounds worth of business because high ECGD premiums have rendered bids uncompetitive. *David Pilling, Buenos Aires*

Daimler plans Egypt venture

Daimler Benz, Germany's biggest industrial group, is planning a joint venture truck manufacturing plant in Egypt to assemble Mercedes Benz trucks and buses from next August. The deal was unveiled at the Europartenariat-Middle East meeting this week in Cairo by Mr Edzard Reuter, chairman of Daimler Benz. The German company, in partnership with Ghabbour Group, the Egyptian motor group, will produce 7,000 trucks and 600 buses a year from a purpose-built plant at New Salheya outside Cairo. Assembly will begin with 20 per cent locally-made components, rising to 40 per cent after four years, Mr Reuter said. Mr Reuter said he was confident that manufacture of Mercedes Benz cars in Egypt would follow soon. The truck and bus enterprise will create 1,000 jobs. *Mark Nicholson, Cairo*

UK wins Moscow phones deal

GPT, the UK-based telecommunications equipment maker, has been awarded a £50m contract to modernise Moscow's telephone network. It is the largest individual overseas order for System X, the GPT-designed exchange which is at the heart of British Telecommunications' UK network, according to Mr Piers Cumberledge, GPT sales director with responsibility for the former Soviet Union. He said GPT would install System X exchanges and up to 170,000 digital subscriber lines over two years starting immediately.

The company, owned by GEC of the UK and Siemens of Germany, would also supply and install fibre optic equipment, smart card payphones and videoconferencing equipment. GPT's contract is with Comstar, a private Moscow company formed in 1989 by GPT and the Moscow Telephone Network which already offers customers in Moscow international, national and local telephone services. Mr Cumberledge said contract negotiations had been lengthy; the company had held back from announcing the deal until financing was in place. Loan finance, denominated in dollars, will come from Midland Bank backed by the UK Export Credit Guarantee Department. The Russian state had agreed an inter-government credit to repay the loan in hard currency, the first time such a mechanism had been used in Russia with a private company as beneficiary. *Alan Cane, London*

Rivalries stymie African body

The future of the Common Market for Eastern and Southern Africa, a grouping of 22 states committed to lowering regional trade barriers, has been thrown into jeopardy by the reluctance of countries of the Southern African Development Community, most them also part of Comesa, to give primary allegiance to Comesa. Comesa, which aims to create a common market throughout the region, was due to be officially launched in Lilongwe, Malawi, yesterday, but proceedings were delayed by calls from southern African countries for the body to be split into northern and southern sub-regions.

Many members of SADC, which comprises South Africa, Tanzania, Malawi, Zambia, Angola, Namibia, Botswana, Swaziland, Lesotho, Zimbabwe and Mozambique, would prefer to focus on removing economic barriers in the smaller body first rather than trying to pursue the more impracticable goals promoted by Comesa. A joint SADC/Comesa summit to discuss the issue is likely to be called soon, but analysts see little likelihood of Comesa getting off the ground in the near future. "Liberalising trade within SADC is not particularly feasible in the short term, let alone co-ordinating trade policy in 22 countries," notes one regional analyst. *Mark Suzman, Johannesburg, and Reuter*

ABB loses race for contract to replace 100 trains on London Underground

GEC Alsthom wins $1.3bn rail order

By Charles Batchelor, Transport Correspondent

The Anglo-French company GEC Alsthom has beaten the Swedish-Swiss owned ABB Transportation to win an order worth £800m ($1.3bn) to £900m to provide new trains for London Underground.

The deal, to supply and maintain just over 100 new trains for the Underground's ageing Northern Line, is the first significant contract under the government's private finance initiative. The decision means work for GEC Alsthom's Metro Cammell factory in Birmingham, but is a bitter blow to ABB, which said up to 600 employees at its Derby rolling stock works now faced redundancy.

"We are extremely disappointed," Mr Bo Södersten, managing director, said yesterday. "A major retrenchment of the Derby factory [employing 2,500 people] is now inevitable."

In March the company said it was axing nearly 700 jobs at Derby. This was followed in September with 289 redundancies at its York plant.

The GEC Alsthom deal provides for payment for the trains and their maintenance to be spread over 20 years. This was what ABB had proposed to London Underground in 1993. The Treasury blocked the deal for several months on the grounds that it did not transfer sufficient risk to the private sector. Pressure from Conservative backbenchers, London businesses and the private finance panel finally persuaded it to give way, but the government insisted in March on opening the contract to competition. ABB was completing the delivery of similar trains for the Underground's Central Line and was thought to be well placed to make a competitive bid.

Mr Kenneth Clarke, the chancellor, reaffirmed in last week's Budget the government's commitment to encouraging the private sector to finance projects traditionally carried out in the public sector. He expects contracts worth £5bn to be signed over the next 12 months.

The order puts a value of about £400m on the new trains with the 20-year maintenance contract worth an additional £400-£500m. London Underground will pay GEC Alsthom an annual fee of £40m-£45m. The deal breaks new ground by transferring the expense and risk of maintaining the new trains to the manufacturer.

Brewers and distillers attack mini-Budget

By Roderick Oram, Consumer Industries Editor

The chancellor's increases in drink and tobacco duties drew a chorus of criticism from producers who thought they had detected in November's Budget the first signs of government sympathy for their loss of trade to cross-channel shopping.

"We're shocked. We're picking up the tab for the Tories' political ineptitude," said the Wine and Spirits Association.

"We're outraged and quite shocked. We really feel he's panicked and made an irrational decision," the Scotch Whisky Association said.

Distillers, brewers and tobacco companies had lobbied with unprecedented force before the main Budget, arguing that the flow of low-duty paid imports and smuggled goods had reached damaging proportions.

Brewers claim that such imports account for about four per cent of total beer consumption and 15 per cent of the take-home trade. The UK's third-largest brand of tobacco for hand-rolled cigarettes, Drum, is not officially for sale in the country.

"No chancellor can remain unmoved in the face of this," Mr Kenneth Clarke said in his November Budget speech. However, he said the government could not cut alcohol excise duties without raising other taxes to compensate for the lost revenue.

Recognising the inroads made by imports, the November Budget left duty on beer, wine and cider unchanged but cut it on sparkling wine to remove anomalous tax rates between different types of alcoholic drinks. Yesterday Mr Clarke added 1p on a pint of beer and litre of cider, 5p on a bottle of wine, 7p on sparkling and fortified wine and 26p on a bottle of spirits, all effective from January 1.

The government's strategy for reducing the attractiveness of drink imports from France is to negotiate with governments to raise their duties. Beer duties in France, for example, are one-seventh of their level in the UK. "This is a bad decision and bad timing," said Mr Anthony Greener, chairman of Guinness, the largest distiller.

Mr Clarke's tobacco measures mean that a pack of cigarettes will typically cost £2.70 in the UK against £1.70 in France, the Tobacco Manufacturers Association said. "The chancellor has handed tobacco smugglers two wage increases in a fortnight," the association added.

● The City of London took the chancellor's package in its stride, our Economics Correspondent writes. Analysts said the measures were roughly in line with expectations.

Mr David Owen, UK economist at Kleinwort Benson, said: "We were concerned that he was going to announce further cuts in the [public spending] control total", which might have been simply due to a reduction in the contingency reserve.

Mr Adam Cole, UK economist at James Capel, said the chancellor "needed to do something which gave a rap on the knuckles to the rebellious backbenchers by imposing small but unpopular tax increases. He can lay the blame for the tax rises fairly and squarely with the rebels."

But Mr Ian Shepherdson, UK economist at HSBC Markets, was disappointed with the package. "The chancellor had a golden opportunity to deal with the Retail Prices Index," he said, adding that a change in indirect taxes would have saved the full amount needed by the government.

Mr Eddie George, governor of the Bank of England (the UK central bank), indicated yesterday that further interest rate rises may be necessary to control inflation, our Economics Editor writes. He also said he hoped rates would plateau "fairly soon".

The governor said it was too early to say whether Wednesday's half percentage point increase in bank base rates to 6.25 per cent was sufficient to curb inflation and whether the interest rate plateau would be established at that level or higher. But because the authorities had acted early, the interest rate peak would be lower than before.

He told MPs on the House of Commons Treasury committee that he had initiated Wednesday's base rate rise. He recommended a rise to Mr Kenneth Clarke, the chancellor, because of above-trend growth in the economy and growing inflationary pressures. "From my point of view, politics were irrelevant," he said.

Clarke's calculations were bad news for smokers

Crackdown ahead on cash fraud in Northern Ireland

By Jimmy Burns in London

Government officials have drawn up proposals to combat financial crime in Northern Ireland because of fears that some former paramilitaries may continue racketeering even if a lasting peace is achieved.

Some senior security officials believe a number of former paramilitaries will continue to engage in fraud and extortion, either alone or in organised criminal groups.

They believe that investment generated by the "peace dividend" may present opportunities for financial crime and are insisting that any big investment from the US and the EC must be closely controlled and monitored by civil servants.

They fear that current legislation may not be adequate in the changing political circumstances. Under the UK's Northern Ireland Emergency Powers Act, the security forces act against racketeering and extortion on the basis of evidence that these are contributing to paramilitary organisations.

The Northern Ireland Office's Terrorist Finance Unit, which has co-ordinated a secret war against IRA fund-raising for four years, is considering options based on legislation against organised crime in Italy and the US.

The recent armed raid on a Newry post office, in which Irish Republican Army members acting under orders from their local commander killed one man and stole £150,000, ($246,000) highlights how closely entangled terrorism and financial crime have become.

It is understood that the IRA leadership has indicated to government officials in the Irish Republic that money from the raid could be returned as a sign that armed robberies have ceased under the ceasefire. But some IRA members who are less supportive of the ceasefire are concerned that the organisation is being financially weakened.

The UK government is to begin talks with representatives of hardline loyalist organisations in Northern Ireland next Thursday. The announcement by Mr John Major, the prime minister, came on the eve of historic talks in Belfast between a team of officials led by Mr Quentin Thomas, the second most senior official in the British government's Northern Ireland Office, and Sinn Féin, the IRA's political wing.

The government is keeping open the option of upgrading the talks to ministerial level later if good progress is made. It is hoped the dialogue will pave the way for Sinn Féin and loyalist representatives to join talks involving Northern Ireland's main constitutional parties. The talks would be aimed at forging a durable political settlement in the province.

MPs soon to reopen inquiry into future of Post Office

By David Owen at Westminster

A powerful committee of MPs is to reopen its inquiry into the future of the Post Office. Their decision will increase pressure on ministers to find ways of enabling the Post Office to secure its commercial future. Privatisation was abandoned last month because of opposition from Conservative MPs.

The Commons trade and industry committee expects to question Mr Michael Heseltine, trade and industry secretary, early in the new year. With privatisation off the agenda, many MPs are worried about the Post Office's ability to combat mounting competition unless it is given greater commercial freedom in the public sector.

But in a decision that boded ill for the organisation's prospects of securing this increased freedom, Mr Kenneth Clarke, the chancellor of the Exchequer, last week rejected pleas by the Post Office board for a £100m cut in next year's £213m government levy on mail service profits.

Mr Bill Cockburn, Post Office chief executive, said a cut in the levy – known as the external finance limit – was essential to boost capital investment. However the organisation has been cleared to handle a significantly greater range of transactions than previously permitted through its extensive retail network.

Post Office managers are keen to exploit the new guidelines to push into new areas, particularly in the financial services field.

A deal was announced recently with General Accident, the composite insurer, to sell travel insurance at many Post Office branches.

Names may gain concession on cash won in court

Lloyd's seeks deal on losses

By Ralph Atkins, Insurance Correspondent

Lloyd's of London is to make a fresh attempt at striking an out-of-court deal to end the mass of legal action blighting the insurance market.

A "step-by-step" strategy for breaking the impasse between lossmaking members pursuing claims totalling at least £3bn, and professional Lloyd's agencies being sued, was unveiled yesterday by Mr David Rowland, Lloyd's chairman, and Mr Peter Middleton, chief executive.

The process – which at first will not involve negotiations between the parties – is expected to last a few months, with March suggested as a possible deadline. As an early concession, Mr Middleton and Mr Rowland announced the shelving of plans to force Names, individuals whose assets have traditionally supported the market, to use damages won in court to settle their debts at Lloyd's.

The proposals have themselves become the subject of legal action with groups representing lossmaking Names saying the plan sought to make Lloyd's a preferential creditor and amounted to a retrospective change in regulations.

Mr Rowland and Mr Middleton said they wanted to learn the lessons of the last attempt at an out-of-court settlement, worth £900m, which Names rejected in February. The first stage this time would be to tackle the dispute between Names and those who provided insurance to the Lloyd's agencies being sued, over the funds available for a new settlement.

Solicitors will be asked to verify computer figures showing sums that might be available from "errors and omissions" (E&O) policies, which provided insurance against negligence.

The calculations will depend on the strength of Names' claims, the wording of policies and on assumptions about whether the first cases in the legislative queue should scoop most of the E&O "pot". E&O insurers believe Names have overestimated the sums available.

Generators are warned on plant disposals

Professor Stephen Littlechild, the electricity regulator, yesterday showed impatience with the two main generating companies over plant disposals, Michael Smith writes. He said he was considering changes in regulations to allow regional power companies to buy plant from the two former state utilities, National Power and PowerGen.

Prof Littlechild said neither had submitted proposals which would meet the terms of an undertaking to try to sell off 5,000MW to 6,000MW of capacity in order to increase competition.

He said he had told the generators that "arrangements which left either company with a continuing involvement in or significant influence on the commercial operation of the plant would not resolve the underlying competition issues". He asked both companies to explore alternatives.

The generators have until the end of next year to try to sell the plant, but Prof Littlechild is believed to be concerned about their lack of progress towards meeting the commitment to do so.

His statement comes a month before the government publishes the prospectus for the sale of its remaining 40 per cent stakes in National Power and PowerGen. The potential problems arising from the plant disposal commitments are a concern for investors.

Prof Littlehcild has previously warned that he will refer the matter to the Monopolies and Mergers Commission if he is not satisfied with the outcome. Prof Littlechild said several regional electricity supply companies had asked him about the possibility of relaxing the ceiling of about 15 per cent on generating their own electricity.

Some of the regional companies want it eased to allow them to bid for the National Power and PowerGen plant. Eastern Group and Southern Electric are thought to be among them. But the possibility of regional companies buying more electricity from their own subsidiaries raises monopoly questions.

The biggest upgrading of Britain's electricity grid network since the 1950s faces further delay with the decision to hold two more public inquiries into sections of the proposed route. The Department of Trade and Industry has announced that inquiries will start in March into two route diversions proposed by the state-owned National Grid Company after previous options were rejected by the government in May. The company says its proposed £200m ($328m) upgrading of transmission lines through 50 miles of northern England is necessary to permit transmission of electricity from gas, hydro and nuclear stations.

Objectors to the proposals, first submitted in 1991 and already the subject of a six-month inquiry in 1992, say that the upgrading is unnecessary and will ruin the countryside with 240 pylons each almost 50m high. The company said that in 1993-94 the electricity market had to pay £67m in compensation to northern generators because of transmission constraints, mainly because of transmission bottlenecks in the area in which route diversions are planned.

UK NEWS DIGEST

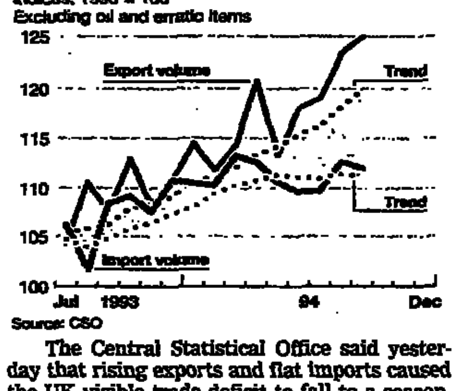
Trade deficit almost at 10-year low

The UK trade deficit fell to its lowest level for almost 10 years in the third quarter of this year. Official figures suggested yesterday that the UK may have recorded a quarterly current account surplus in the third quarter of this year. It would be the first surplus in any quarter for almost eight years.

If the figures are right, they would mark a significant turnabout in the UK's balance of payments position following widespread predictions in the City of London last year that the British recovery would suck in imports and lead to a deterioration in the current account.

Visible trade trends improve

Indices, 1990 = 100
Excluding oil and erratic items



Source: CSO

The Central Statistical Office said yesterday that rising exports and flat imports caused the UK visible trade deficit to fall to a seasonally adjusted £1.5bn in the third quarter of this year, down from £2.4bn in the second quarter.

The office is not due to publish official figures on the trade in invisible items, which recorded a £1.7bn surplus in the second quarter of this year, until later this month. But unless the surplus in invisible items fell back significantly in the last quarter, yesterday's figures showed that the recent improvement in the visible trade balance would have pushed the UK into a trade surplus after recording a deficit in the second quarter. Although the UK recorded a current account surplus in the first half of 1980s, it has since recorded a deficit.

Scepticism on growth of skills shortages

There is no hard evidence that skills shortages are increasing in the British economy, says the latest Employment Gazette, a government publication. Several recent surveys from industry have cited increasing recruitment difficulties. The latest government skills survey suggests that 21 per cent of employers this spring reported that they had found vacancies hard to fill over the previous 12 months. The comparable figure for 1993 was 16 per cent.

The gazette says: "The rise in recruitment difficulties can be partly explained by an increase in recruitment activity." It adds that recruitment difficulties have several causes other than a shortage of skills. It cites: "Employers making jobs unattractive (poor pay, poor conditions); job seekers with unrealistically high expectations of terms and conditions; because the nature of the work is unpopular; or because potential recruits have little or no relevant work experience".

Occupational groups which contained large shares of hard-to-fill vacancies included sales and services, catering, nurses, engineers and technologists.

Accountancy partner quits over investigation

A partner with a London-based firm of accountants has left the business following an investigation into apparent financial irregularities. Mr John Goldring, a partner with Casson Beckman, is well known in the music industry, where many of his clients work.

It is understood that the apparent irregularities involve about £2m ($3.3m). The executive chairman of Casson Beckman, Mr Geoff Barnes, said: "We are all extremely shocked at the circumstances which have led to the departure of John Goldring.

The firm said: "The London firm of Casson Beckman, chartered accountants, announces that John Goldring, aged 58, of the entertainment and media division, has left the firm with immediate effect. This has resulted from on-going investigations carried out by the executive board and their advisers into certain apparent financial irregularities concerning funds over which John Goldring had control by virtue of personal appointments he held in relation to certain clients.

"As soon as Casson Beckman became aware of these matters a special team was set up to investigate the full extent of these apparent irregularities and the few affected clients have been contacted personally."

Mr Goldring's lawyers said that no statement would be made on the matter. Casson Beckman merged this year with Halpern & Woolf to form the 18th-biggest accountancy business in the UK with an estimated fee income of £21m.

Managers blamed for business failures

Management is to blame for half of businesses failures, says a survey published today by the Society of Practitioners in Insolvency. Three-quarters of businesses are beyond rescue by the time they enter insolvency, it adds.

Mr Ian Bradbery, society president, said the survey showed better management training was vital to avoid corporate failure. "Management failure is rising as both a principal and a contributory cause of company insolvency. Management helps push its own enterprise over the edge in more than half of all cases."

The survey showed that in one case in ten management was principally to blame for the failure through fraud, bad planning, imprudent accounting, or lack of information. Dr Anne Robinson, head of policy at the Institute of Directors, said she was not surprised by the figures. "We have to have better trained managers. It is absolutely essential," she said.

Knife attacker wounds 14 people in store

Fourteen people were injured today when a man wielding two knives lashed out at customers and staff in a department store in the middle of Birmingham, England's second-largest city. The man slashed staff and shoppers at Rackhams store as hundreds of people ran screaming into the street.

Twelve of the injured were suffering from minor injuries, and two people's wounds were described as "more serious" but not life-threatening. The man was eventually cornered in the store by police. He was carrying a 30cm bread knife, and another knife was found in the store later.

Ms Clare Dallaway, who was promoting the National Lottery in the store, said: "It was awful; this man was just wildly slashing at the women's throats with a knife. He just suddenly went crazy and was thrashing about with this big knife."

BT faces walkout today

British Telecommunications faces unofficial walkouts and a demonstration by managerial and professional staff in London today. The staff are to protest about a briefing on their pay prospects for next year. The company told the Society of Telecom Executives it intended to differentiate between skills and jobs principally under external market criteria rather than according to traditional internal relativities. Pay would be linked to performance.

The society said this stance threatened to drive down pay rates and would do nothing to redress the effects of the pay freeze imposed earlier this year. The next pay agreement will start in April, 1995.

Germans may alter nuclear fuel deal

German electricity companies were yesterday considering formal proposals from BNFL, the UK reprocessing company, which will give them the option of taking back up to 1,400 tonnes of spent fuel they are due to start sending to the UK next year, Michael Smith writes.

Under the terms of a £900m ($1,476m) contract BNFL is not due to start reprocessing the fuel until 2005. The contract makes no mention of what would happen if the Germans wanted the fuel back unprocessed before then.

Although the German companies intend to go ahead with reprocessing, they are concerned that political pressures will force a rethink.

Environmentalists in Germany are concerned about reprocessing in the UK because the terms of the contract require the German companies to take back the plutonium and waste material after reprocessing.

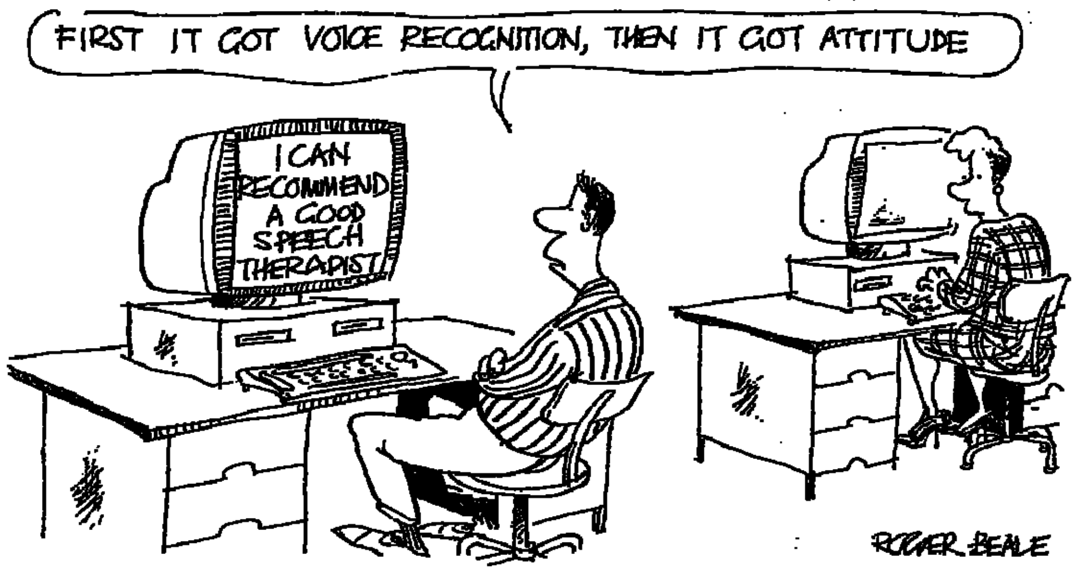
The issue has been under discussion between BNFL and the utilities since October. The Germans have been engaged in similar discussions with Cogema, the French reprocessing company.

BNFL would not disclose the details of its proposals, sent to Germany earlier this week. It is thought, however, that it will agree to send back spent fuel unreprocessed if requested, providing the Germans agree a substantial cancellation fee.

TECHNOLOGY

Say the word

New developments mean speech-recognition systems may soon be a common tool, writes Vanessa Houlder



For decades the prospect of computers capable of recognising speech has fired the imagination of researchers and science-fiction writers alike.

But early speech-recognition systems required users to speak frustratingly slowly, with pauses between their words.

Now, speech recognition technology could be at a turning point. As processing power increases and prices fall, manufacturers of voice recognition equipment, such as IBM, Dragon Systems and Philips, are optimistic about the prospect of making it a common, practical tool.

In October, Philips announced a breakthrough in the form of a speech recognition system capable of recognising continuous speech, as well as coping with more than 50,000 words. This development, it believes, makes speech recognition "mature enough to be used on a large scale in a wide variety of applications".

Its first specialist application is for radiologists, who produce dozens of reports on clinical findings every day. Philips believes that its system cuts the time taken to produce a report by 40 per cent.

Enthusiasts talk about speech recognition systems replacing keyboards, mice, dictation machines, handwriting recognition equipment and even copytypists and telephone operators. "It will be months, rather than years, before keyboards are redundant," says Kurt Lynn, sales and marketing president of Kolvox, which has developed software applications for speech recognition for legal and office users.

Nicholas Stewart, a barrister who has tried out the Kolvox system, is not totally convinced. He thinks competent typists will prefer keyboards for typing long texts. Nonetheless, he thinks the system could be "very helpful" to barristers in coping with large amounts of administration.

Shoosmiths & Harrison, a legal firm which has been using the All-Voice DragonDictate system, is also enthusiastic. It says speech recognition saves time, since texts no longer go back and forth to secretarial staff for transcribing, proof-reading and revision. Moreover, it appeals to users who are not computer literate or good typists.

The range of applications for voice recognition technology goes well beyond dictation. In the home, voice recognition can turn on the television, dim the lights or open the garage door. Mail order companies use speech recognition for telephone sales.

Speech recognition systems are even being used for language training. French drivers of the Eurostar high-speed trains are using a training program produced by Cap Gemini Sogeti, the computer services company, which checks each element of a user's sentence and rates their pronunciation.

The speech recognition market is currently valued at \$289m (£176.2m) and is expected to grow at 25 per cent a year over the next four years to \$800m by 1998, according to Frost & Sullivan, market researchers.

Different applications of the technology call for different approaches. Telephone-based voice recognition systems use small vocabularies because they need to be able to recognise a wide range of voices. Their scope is also limited by the quality of telephone microphones, the likely presence of background noise, and the narrow bandwidth of telephone lines which render "f" and "s" sounds indistinguishable.

As a result, the capabilities of telephone-based voice recognition systems are typically limited to yes, no and numbers from zero to nine.

By contrast, dictation systems which require large vocabularies, of for example 60,000 words, are trained to recognise a particular voice. It typically takes a few hours for the machines to become attuned to the voice of the speaker, which involves storing examples of the speaker's phonemes, the smallest acoustical component of a language.

The process of speech recognition begins with the microphone, which transforms a user's spoken words into an analogue signal which is then transformed into a digital stream of ones and zeros. Decoding software then searches for patterns that match the stored models of phonemes. This involves complex acoustic and statistical models that calculate the probability that a particular pattern matches a certain sound or word. The system also uses a language model, which contains information about the way sentences are composed and the word order in a sentence.

The easiest languages for a computer to recognise are those providing the most clues. So languages such as German with long words and rigorous grammatical rules are easier to recognise than, for example English. Within the English language, some vocabularies are easier to recognise than others: the long words and stock phrases used by lawyers, doctors and dentists make them an attractive market for voice recognition tools.

The take-up of voice recognition technology is influenced by a number of factors, not least of which is national culture. North Americans, who tend to be more comfortable than Europeans and Asians about talking to machines, provide overwhelmingly the largest market for voice technology.

Another potential obstacle arises from the feeling of confusion or even panic that often accompanies a user's first encounter with a speech recognition-based telephone service. "There are a lot of unsolved problems," according to BT's Fred Stentiford, who carries out research into the design of automatic telephone dialogues. Inexperienced users speak before a prompt has finished, hesitate, or use too many "ums" and "ers". A long dialogue that relies on simple "yes" or "no" answers may also deter users who find it too tedious.

Users' growing familiarity with speech recognition systems may ease some of these problems. But some researchers believe speech recognition systems will only become really acceptable once there has been a breakthrough in the theory of natural language processing, allowing a machine to cope with the complex structure and grammar of ordinary speech.

Meanwhile, many basic aspects of speech recognition technology are capable of considerable improvement. Researchers are trying to build systems with larger vocabularies that can cope with continuous speech more cheaply. "Speech recognition is a technology that is never finished," says Bernie Woollaston, divisional director of Philips Dictation System. "It can always be faster, with fewer errors."

Talking tough

The formidable difficulties posed by speech recognition are rivalled by those involved in converting text to speech.

Scientists still have a limited understanding of the way in which speech signals are produced. Moreover, a convincing representation of speech depends on pronunciation, pitch and intonation, which often obey complex and loosely defined rules. The monotone voice produced by synthesisers often sounds more robotic than human.

Nonetheless, researchers are increasingly optimistic about text-to speech technology. "Today, the quality of synthetic speech from text has improved to such an extent that real world applications are now viable," says a report by BT Laboratories, part of the UK telecommunications company.

Some applications are already being commercialised. Novell, a US software company, is about to launch a system that will read out E-mail messages over the telephone, allowing people to check their electronic messages when they are away from a terminal.

Potential applications are wide-ranging. Telephone-based systems would allow recipients to listen to their fax messages, doctors on call to gain access to their patients' records and information services to provide regularly updated bulletins.

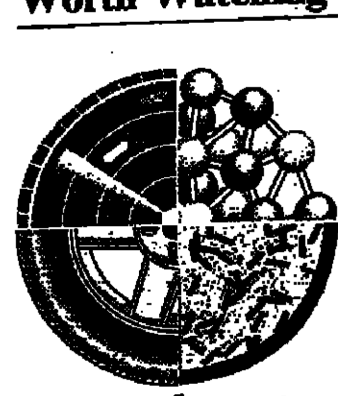
The technology could also be used in reading machines for the blind and navigation systems for drivers. Other applications would arise because speech stored in text form takes much less computer storage space than digitised speech.

Most of these applications will not materialise until further refinements have been made to the text-to-speech process. This usually begins by stripping punctuation out of the text and converting numbers to words.

It then converts the text to phonemes, the smallest segments of sound in the language and assigns stress to words. These are then used to synthesise speech, a process that either depends on extremely complex conversion rules or else on concatenation methods, such as threading together stored samples of speech.

But voice technology companies eyeing a potentially large market are not deterred by the research effort required, according to Frost & Sullivan, a market research company. "Text-to-speech technology will be a key focus of many vendors' research and development efforts," it says.

Worth Watching · Vanessa Houlder



Surgeons face up to a 3-D future

The National Engineering Laboratory has developed a three-dimensional computer modelling system which could help surgeons plan facial surgery more accurately.

Surgeons carrying out reconstructive or plastic surgery traditionally rely on 2-D information from photographs and X-rays of the patient's face. The limitations of this method can result in operations being repeated.

Glasgow-based NEL, working in conjunction with St George's Hospital, London, has designed a system using white light that can capture 3-D data from a patient's face in two seconds. It uses a "moiré fringe" contouring method, which relies on the interference of light patterns to detect the contours of a face.

The developers of the system, known as OrthoForm, are now developing software that would allow surgeons to simulate facial surgery on computer.

NEL: UK, tel 03552 20222; fax 03552 72946.

Keeping an eye on the customers

Shoplifters are the chief target of closed-circuit TV cameras within stores. Yet the same security cameras can be adapted to give retailers extra information about the movements of their customers, the popularity of particular displays and the length of queues at checkouts.

This extra information can be obtained by using a system called SensUS, developed by Molynx Holdings, a Welsh company. It works by capturing images from a closed-circuit camera and isolating areas of movement. It then uses neural network software, which detects patterns, to count the number of customers in each camera scene.

Molynx: UK, tel 0633 821000; fax 0633 850893

New class of heart drugs for trial

Xenova, the low-profile UK biotechnology company quoted in New York, has identified a member of a new class of heart drugs it will now take into human clinical trials, writes Daniel Green.

Plasminogen activator inhibitor (PAI) is a natural constituent of blood that controls another substance, plasminogen activator (PA), which clears blood clots. A PAI disorder can cut the PA in the body and trigger clots.

Xenova acknowledges that the heart drug field is crowded with successful products. But it claims there are potentially dangerous side-effects with other drugs.

Xenova Tel: 01753 692229. Fax: 01753 692613.

Parking under the sun

Spain, Switzerland and Greece are experimenting with solar-powered parking meters in areas that la... a direct supply of electricity.

Metric Parking, a UK ticket machine company, has designed a ticket machine with a 305mm by 610mm south-facing solar panel, which is placed on a 1.5m pole to keep it out of the reach of vandals. This provides enough power to issue up to 250 tickets if it receives eight hours of sunlight filtering through clouds on a grey day.

Heavily-used machines would require auxiliary solar-powered batteries in poor climates.

Metric Parking: UK, tel 0285 651441; fax 0285 655216.

Switched off for personal messages

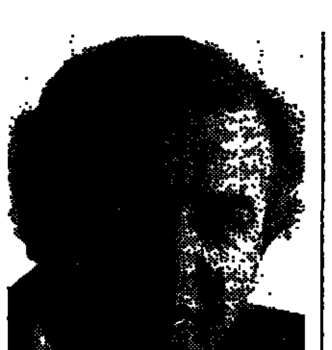
Using a computer to handle voice and fax messages often means leaving it switched on even when the user is out.

Martignoni Electronics, a Swiss communication company, has launched a personal message centre, which stores fax and telephone messages, regardless of whether the PC is switched on. The Spiderman, which stores 20 pages of fax or 60 minutes of voice messages, costs £349.

Martignoni Electronics: Switzerland, tel 1273 1111; fax 1273 3700.

PEOPLE

Reece: a class act for London Scottish



For the second time in its history, Manchester's London Scottish Bank has turned to Great Universal Stores for its chief executive. Roy Reece, 47, group marketing director of GUS Home Shopping, has joined the consumer finance group as chief executive (designate).

London Scottish Bank, which celebrates its centenary next year, has been seeking a new chief executive for some time since most of its senior executives are approaching the company's retirement age of 57. Jack Livingstone, whose grandfather founded the company, plans to retire as chairman next March and will hand over to Martin West, 56, who succeeded him as chief executive in 1988.

West, who joined as finance director in 1976, says that the company wanted somebody who was young enough to take the group into the next century and bring some new ideas. West had known Reece from their time together at GUS and believes that Reece's marketing skills will complement his own finance background. Reece is not a banker, but West does not regard this as a problem and stressed that the type of people London Scottish deals with are the same as Reece's mail order customers.

London Scottish, started in a terraced house in Wigan, has around 100,000 mainly working class customers and a network of over 100 offices around the country. It specialises in lending sums of around £600 to people who find difficulty getting credit from the High Street banks. With an average of 2m county court judgments a year, West says that there are plenty of people who are refused credit under traditional credit scoring techniques.

Although London Scottish gets to know its customers through home visits, it still had bad debts of £2m out of £32m of gross income last year. Fortunately, the group has its own debt collection business which helps explain why profits are expected to be up by nearly a quarter to £5.6m this year. *William Hall*

Ramco adds to its board

Ramco, the oil services company, has appointed three new directors with extensive experience in the international petroleum industry as part of its plan to transform itself into a more broad-based energy group. Its involvement in an \$8bn project to develop large offshore oil reserves in the Caspian Sea necessitated the board expansion.

Peter Everett, chairman of Pict Petroleum, an independent oil exploration company and a former senior executive with Shell, joins as a non-executive director. So too does Herbert Denton, president of a New York-based private investment bank and a specialist in investing in the former Soviet Union.

Michael Burchell, md of Ramco Oil and Gas, joins the main board as an executive director. *Robert Corzine*

Non-executive directors

Signet, the UK-based jewellery group formerly known as Ratners, is strengthening its transatlantic ties with the appointment as a non-executive director of the leading US retailer Lee Abraham (above).

The move reflects the fact that 60 per cent of Signet's turnover now comes from the US, where it owns the Sterling chain.

"Abraham will bring balance to the [board's] thinking, and make sure the US gets the time and attention it deserves," says Signet.

Abraham, 66, is currently senior non-executive director of Liz Claiborne, the US fashion group. He is perhaps best known as the former chairman, from 1977 to 1993, of Associated Merchandising Services, the New York-based retail merchandising and sourcing organisation which worked with many of the leading department and speciality stores in the US.

He built up AMS from a business handling \$140m of shipments in 1977 to more than \$1bn by 1989. By the time Abraham retired, it had 31 offices in five continents.

Abraham was one of the first US retailers to start developing connections with China. "He has a widespread merchandising and retailing background in the US, and tremendous international experience," says Signet.

Before AMS, Abraham was chairman and chief executive of May Merchandising, part of the May department store group in the US. *Neil Buckley*

■ Jerry Brand, 37, who runs the privately-owned Brand Group, a fast-growing contract caterer, has taken a step closer to fulfilling his stock market ambitions by recruiting his first independent non-executive director – Stirling Gallacher.

Gallacher, 62, was managing director of Gardner Merchant Caterers, the industry leader, in the mid-1970s and went on to do the same job at Sutcliffe Catering, another of the big three UK contract caters. He retired as chairman of Sutcliffe in 1992 after Granada had bought the company.

Brand started his own catering company in 1988 and annual turnover has grown from £670,000 to £30m in the current year, with £40m budgeted for next year. Brand expects to make pre-tax profits of £600,000 in 1994 and is hoping to get his company floated on the stock market by 1996. He says that he is looking for an additional non-executive director with financial experience. *William Hall*

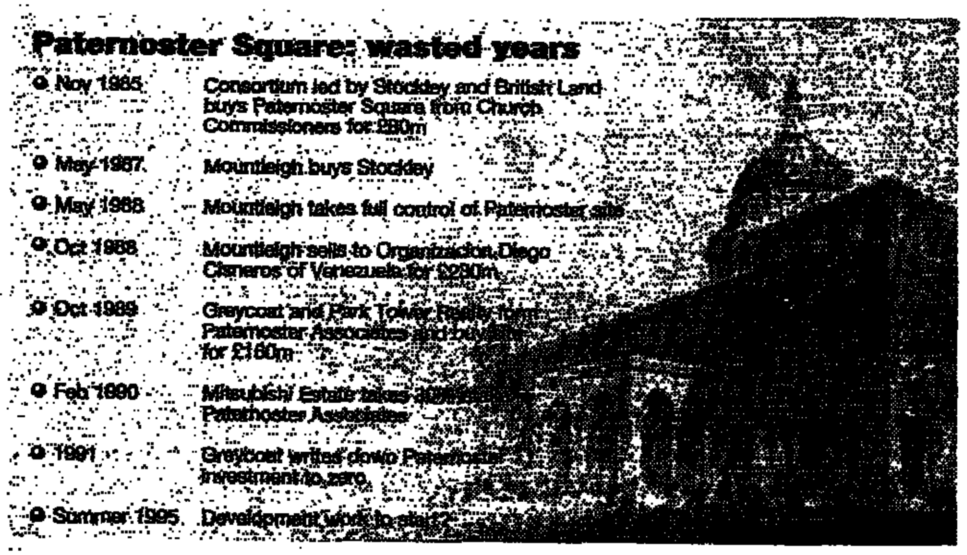
■ Michael Jackaman, chairman of Allied Domecq, and Lawrence Urquhart, chairman of Burmah Castrol, at KLEINWORT BENSON.

■ Gary Sturgess, former cabinet secretary and director general of the Cabinet Office in New South Wales and principal of Sturgess Australia, and Sir John Whitehead, former British ambassador to Japan, at SERCO GROUP.

■ David Burnside, former director of public affairs at British Airways, and Simon Elliott, who lived and worked in the Middle East before the war in Lebanon and who is now founder-director of Shelston Construction, St Giles Joinery and Stourpaine Developments, at BRITISH MEDITERRANEAN AIRWAYS.

هكذا من الاصل

PROPERTY



The square in a hole

Investors, not architects, will decide the future of London's Paternoster Square, says Simon London

The future of Paternoster Square – the ugly concrete precinct next to St Paul's Cathedral in the City of London – will be decided in the next few months.

But after almost a decade of public wrangling about what should occupy London's most sensitive development site, it will be investors rather than architects or planners which will determine the outcome.

The planning process is finally chugging to a conclusion. Last week, Standard Life, the UK life insurance group, won detailed planning permission to redevelop Juxon House, in the south-west corner of Paternoster Square, directly opposite the cathedral.

Paternoster Associates – a joint venture between UK developer Greycoat, Park Tower Realty of the US and Mitsubishi Estate of Japan which owns 4.2 acres of the seven-acre site – should clear the final planning hurdle in January.

It was in 1987 that proposals for a modernist design for the site were scrapped when the Prince of Wales described the competition which produced it as "demoralising".

The City of London planning authorities granted outline permission for Paternoster Associates' new neo-clasical design in October 1992.

These envisage 750,000 sq ft of offices and more than 80 shops and restaurants to a plan which aims to recapture the pattern of streets and lanes which existed before the area was levelled in the second world war.

Standard Life is now free to build 185,000 sq ft of offices to a design by Whitfield Partners, the architectural practice run by Sir William Whitfield, who is also a member of the Royal Fine Art Commission.

Including Sudbury Tower, which is owned by Nuclear Electric, the UK utility, the entire Paternoster Square site could accommodate more than 1m sq ft of office space.

But when will the developers have the confidence and financial resources to start work?

Although Standard Life now has full consent, it is by no means clear that it will press ahead with redevelopment of Juxon House. The existing building is let to Barclays Bank on a lease with about 70 years left to run. The landlord would have to be sure of finding a new tenant at rents above current levels to make redevelopment worthwhile.

Mr Alex Watt, property investment manager at Standard Life, said: "The main question is financial: when is the right time for us to build. We also have to ask whether tenants will want to occupy offices next to a major building site. It could make sense for us to wait until the rest of the Paternoster development is finished."

The initiative, therefore, is with Paternoster Associates as owners of the majority of the site. The consortium paid £160m for its slice of Paternoster Square in 1989. However, after five years of delay and planning battles the total cost is thought to be about £260m.

But the market value of the site is now much less – possibly as low as £30m, according to other developers.

Each of the partners originally contributed £15m equity, with the rest of the acquisition funded with debt provided by Mitsubishi. Greycoat and Park Tower Realty have since written down the value of their stake to zero, so the site is, in effect, in the hands of Mitsubishi.

The Japanese company, part of the powerful family of companies which includes Mitsubishi Bank, was once seen as the main supplier of long-term development finance to Paternoster Associates. However, the Japanese group has suffered from a domestic property recession as fierce as anything experienced in London.

Under these circumstances, the estimated £375m development costs will have to be found elsewhere. Greycoat is trying to organise a group of financial institutions to fund the six new buildings planned.

The snag is that work can not start in such a sensitive area until funding for all six phases has been committed. Paternoster Associates cannot run the risk that its grand design will end up half finished.

Trying to find a funding formula which satisfies six or more financial institutions and all three partners in Paternoster Associates will not be easy.

The biggest hurdle could be Mitsubishi's reluctance to recognise the true value of Paternoster Square. It made loans of about £200m to Paternoster Associates to fund the initial acquisition of the site and work carried out since.

Conventional institutional funding would effectively involve selling the finished development forward, which could force the Japanese company to take an unwelcome write-down on the loans.

There are doubtless ways in which these problems can be overcome – such as keeping the ground lease with Mitsubishi and granting long subleases to institutions. But time is running out if Paternoster Square is to capitalise on the shortage of City office space.

On paper, Paternoster should provide attractive accommodation with floors of up to 30,000 sq ft – exactly the type of office space which is now in short supply.

But Paternoster is not the only potential City development looking for institutional funding.

The authorities have already granted planning permission for an extra 13.6m sq ft of office space within the City. Of this, more than 7m sq ft covers sites which are currently empty and waiting for work to start.

The lead-times on property development are such that Paternoster Associates can be fairly confident that there will not be an oversupply of new offices much before 1999.

To get the whole development finished by then, though, demands that cranes are erected by the middle of next year at the latest.

Mr Peter Thornton, managing director of Greycoat, conceded that the timetable is tight. "With a three and a half year development schedule ahead of us we really need to be ready to roll by the middle of next year," he said.

"I would not like to be starting later than the summer. Trying to get the funding sorted out over the next three months will be critical."

COMMERCIAL PROPERTY

CONTRACTS & TENDERS

LEGAL NOTICES

No. [illegible] of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
PRESTWICK HOLDINGS PLC
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

Notice is hereby given that a Petition was on 18th November 1994 presented to Her Majesty's Court of Justice for the confirmation of the reduction of the share premium account by £5,137,000 from £7,966,000 to £2,829,000 of the above named company as at 14th November 1994.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on the 20th day of December 1994.

ANY Creditor of Shareholder of the said company desiring to oppose the making of an order for the confirmation of the said reduction of the Share Premium Account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated the 5th day of December 1994.

Morrison Skirrow,
63 Queen Victoria Street, London EC4N 4ST

(Ref: KMD/SXJ/PR276060)

Telephone No: 071 329 3299
Solicitors for the above-named Company

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
BULLERS PLC
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 30th November 1994 confirming the reduction of the capital of the above-named Company from £22,720,018.98 to £10,398,000.00 the cancellation of the share premium account and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act was registered by the Registrar of Companies on 1st December 1994.

DATED this 6th day of December 1994

LAWRENCE GRAHAM
190 Strand
London WC2R 1JN
Solicitors for the above-named Company

MANAGEMENT

Christ[…] Brown-Hu[…]es and Tim […] on the challenges faced […] new business schools

Riga's recruits

Sandwiched between a delapidated former Soviet military barracks and a dingy Soviet-style apartment block, the renovated Stockholm School of Economics in Riga gleams like a jewel in the winter gloom.

Inside the building the mood is equally bright. "This school will give me opportunities I would never have had otherwise. It is the best in Latvia," says Uldis Kalnins, an 18-year-old, high-school graduate and one of 56 students in the first-year intake.

SSE Riga, inaugurated last month, is a unique collaboration between Swedish and Latvian partners designed to help the Baltic states grow into fully-fledged market economies. It will provide 100 students a year from Estonia, Latvia and Lithuania with intensive undergraduate tuition in economics and business.

The aim is to create a new breed of entrepreneurs, academics and administrators – people who can quickly assume positions of influence and transform attitudes in countries that were part of the former Soviet Union until three years ago.

The school's name reflects the leading role played by the Stockholm School of Economics, both in initiating the project and providing management.

Indeed, it was a casual chat between Staffan Burenstam Linder, the SSE's president, and some Baltic state students three years ago that first gave rise to the idea. Burenstam Linder seized on it eagerly. "I like bold ideas and I like entrepreneurship," he says.

There were plenty of hurdles, but eventually Burenstam Linder received financial backing, co-operation from the Latvian authorities, and a distinguished building in central Riga to house the new school.

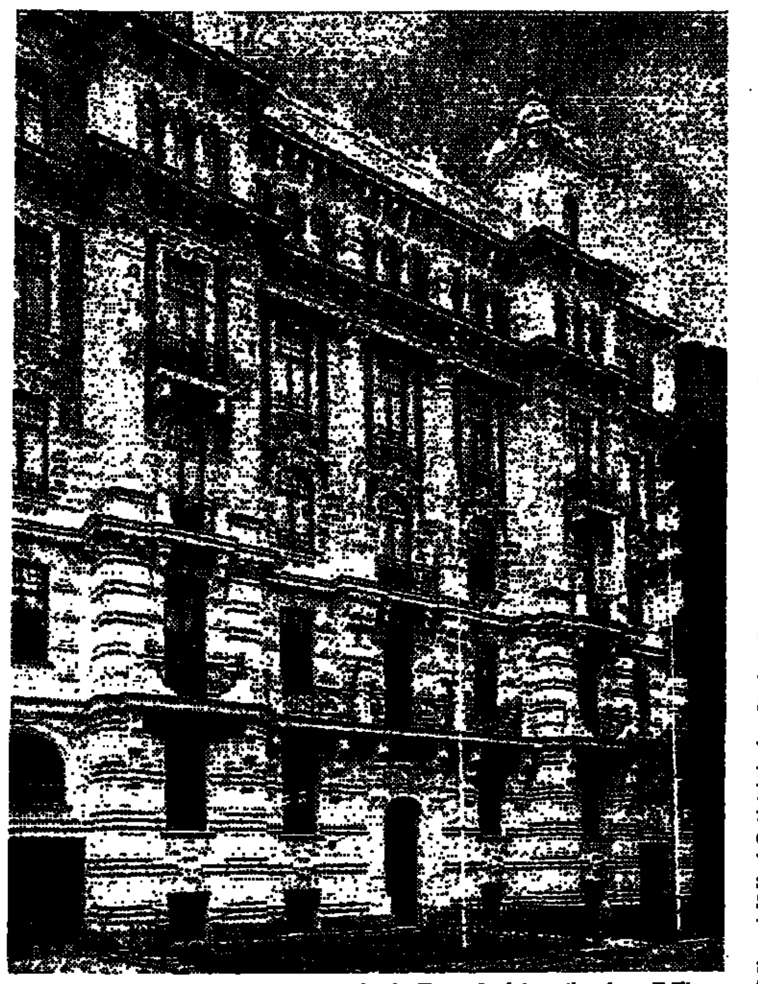
Funding is being provided by the Swedish and Latvian governments, the Soros Foundation, and a few private donors. The Swedish government will provide as much as SKr80m (£7m) over 10 years, mainly to cover education costs. The Latvian side meets local charges, such as heating and electricity.

The Soros Foundation gave $2m (£1.3m) to renovate the building and build a new auditorium. The school is 51 per cent owned by the SSE and 49 per cent owned by the Latvian government.

Three years of normal university teaching will be crammed into two. This saves costs and gets the graduates into the system as soon as possible. The first year's intake – for practical reasons, Latvians only – are aged between 18 and 25 and come from a mixture of backgrounds.

They do not have to pay tuition costs or fund their own maintenance, avoiding a common situation in eastern Europe where students have to take on part-time jobs to finance their studies.

Teaching will initially be carried out almost exclusively by SSE staff, although a much greater local and international input is desired in the long-term. Indeed, great store is being placed on the school's international credibility, which is one reason why the teaching language is English.



Bright sparks: Riga hopes that its new school will acquire international credibility

The programme is deliberately being pitched at undergraduates, as there are currently too few good graduates for effective courses to be run at a Masters level. There will also be a doctoral programme, but this will be run out of Stockholm until it has been built up in Riga.

The worry with this arrangement is that it increases the risks of a "brain-drain". If students decide to continue their education abroad after the two years in Riga, the chances of them staying abroad rather than working back home increase.

The hope is that over the next 10 years the school will attract donations, building up a sufficient endowment to stand on its own feet. When this point is reached, it would no longer be run by the SSE.

If the venture is successful – and the early signs are promising – Burenstam Linder sees no reason why the concept should not be transplanted to other former Soviet cities such as Tallinn or St Petersburg.

The project is seen as a practical way for Sweden to support the Baltic states while helping to cement long-standing cultural and historic ties. "A lot of aid to eastern Europe disappears down a black hole. Here we have full control over how it is spent," says Per Unckel, a former Swedish education minister who was involved with the project.

But there are also voices of caution. Peter Wallenberg, one of many top Swedish industrialists who attended the inauguration, says the school can only do part of the job of transforming the economies of the Baltic states. "It is very important that the students come out into an environment which they recognise from the instruction they have had. Otherwise they will go abroad," he warns.

CBH

Mouthwatering multiple found in Kiev

Bohdan Hawrylyshyn, chairman of the board of International Management Institute of Kiev, and Andrew Masiuk, director general, know all about starting a business school in the old eastern bloc.

Established in 1989 as a joint venture between the then International Management Institute in Geneva (now merged into IMD of Lausanne) and the Ukrainian Academy of Sciences, IMI-Kiev claims to have been the first institution in the former Soviet Union to offer an MBA based on the western model. "Izvestia carried an article in 1990 saying that if you want to learn about management you need to go to Kiev," chuckles Hawrylyshyn, a Canadian who is also adviser to the Ukrainian president.

Hawrylyshyn and Masiuk are in London this week, in part to try to drum up more support from British companies and promote the attractions of Ukraine in the wake of recent economic reforms.

Backed with Ecu2.3m (£1.8m) of grants from the European Union, IMI-Kiev has developed consultancy links with the likes of Gaz de France, Crédit Lyonnais and General Electric of the Netherlands.

But apart from British Petroleum, which subscribed to the school's initial $400,000 (£270,000) of capital, it has so far drawn a blank in the UK.

Masiuk says the school "started out very much teaching the core MBA courses which would be found in Europe and the US" – despite the shortage of successful new businesses as case studies it soon added sessions on local economic developments. "In management you need to teach what is universally valid, what is transferable and what is culturally specific," he adds.

Both men acknowledge the challenge of teaching management in a country such as Ukraine, which is why only 20 per cent of the course is devoted to knowledge transfer, 30 per cent to skills development, "and the rest to encouraging a new way of thinking, new values and new beliefs". Hence the need for external consulting partners to give students team-based experience.

Fees at IMI-Kiev are steep by local standards but Hawrylyshyn claims students who arrive earning $10 per month have been recruited into jobs paying $1,000 per month – a mouthwatering multiple for western MBAs more than happy these days to increase their market worth by 50 per cent.

Of the 160 alumni, whose number includes Roman Shpek, the Ukrainian minister of economics, the vast majority have stayed at home setting up new businesses or working for foreign joint ventures.

IMI-Kiev's so far positive experience contrasts with the mostly disappointing attempts by western business schools to export management education to the east.

"They have mostly done virtually nothing," scoffs Hawrylyshyn. "Very few people knew anything about eastern Europe, while their interest coincided with the economic crisis and tight budgets."

TD

Robert Taylor on the European trend towards flexible working

Time is up for 35-hour week

Reducing the hours people work is seen by many in the European Commission and inside European trade unions as an important means of alleviating mass unemployment.

But as a conference in Düsseldorf organised by the European Trade Union Institute (ETUI) has painfully revealed this week, devising a credible Europe-wide strategy applicable to a diverse range of labour markets is going to be difficult.

Many European trade unions appear to be shifting their position over working time, becoming increasingly flexible as they adapt to the more complex world of work. "They have come to realise that a rigid working time policy, geared exclusively to a 35-hour working week, is no longer appropriate in the current state of society," says Reiner Hoffman, the institute's research director. "What is needed is a broad-based discussion of a variety of innovative working time policies."

For the past 18 years the European Trade Union Confederation – the organisation that represents most of the trade unions inside the European Union – has been committed to the goal of a 35-hour working week without loss of pay achieved through collective bargaining. This has mainly reflected a German male manufacturing manual worker point of view.

But this no longer seems to be a relevant goal in an increasingly fragmented and divided labour market where a substantially large number of workers are now in part-time jobs or working in shifts around the clock.

They recognise that new systems of production and new human resource management techniques have been accompanied by an increasing trend inside industries and services across the EU towards specific forms of working time flexibility.

"The major concern of the European employers is to reduce unit labour costs to a minimum in the interests of competitiveness," explains Hoffman. Global market pressures have added to the need of many companies to change the ways working time is organised. More often than not this is being done without bargaining.

Trade union responses to these developments have been defensive, piecemeal and grudging. However, there are growing signs of change. Dieter Schulte, president of the DGB, the German Trade Union Confederation, argues that the unions must establish a co-operative strategy with employers over working time. He also acknowledges that economic growth alone is unlikely to create enough jobs to resolve Europe's unemployment crisis.

But the often confusing discussion revealed an enormous variety of contrasting union attitudes from the different EU countries.

Some are coming to terms with the vast increase in part-time employment, most significantly the Dutch FNV union confederation which wants to encourage the spread of part-time employment among workers. "It is an instrument for social change to achieve a better distribution of work for all, an improvement in women's employment participation and a fairer distribution of unpaid work outside the workplace," argues Ieke Van den Berg, an FNV board member.

Trade union officials from elsewhere in Europe, though, emphasised the need to annualise the number of hours people work as a means of reducing excessive overtime work and ensuring more stability in shift working.

What was missing from the conference, however, was any real awareness of the conflicting views of European employers. Many union officials remain frozen in the views of nearly 20 years ago when trade unions in western Europe were stronger and more self-confident.

Notwithstanding the ETUI's research papers which emphasised the need for productivity gains in return for cuts in working time, there seemed little awareness of the global pressures being imposed on employers to keep their unit labour costs under control.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Liberty Communications Limited, formerly Millicom Holdings (UK) Limited, ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems. The Licensee will be able to carry broadcast entertainment services. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those telecommunication services to all who reasonably request them within that area.

3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a public telecommunication system.

4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. He proposes to apply the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence.

7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 16 January 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 071-215 1756.

Jill Knight
Department of Trade and Industry
9 December 1994

LEGAL NOTICES

No. 007336 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF INCHCAPE ESTATES PLC and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 15th November 1994 presented to you Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £10,300,000 to £10,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday the 21st day of December 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 9th day of December 1994

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

Solicitors for the above-named Company

No. 007337 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF WESTERN MOTOR HOLDINGS PUBLIC LIMITED COMPANY and IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 15th November 1994 presented to you Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £5,100,000 to £5,000,000.

AND NOTICE IS FURTHEP GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday the 21st day of December 1994.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 9th day of December 1994

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

Solicitors for the above-named Company

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A well-conducted partnership

Richard Fairman reports on an eventful year for the newly-knighted Simon Rattle

There are not many knights under the age of 40. When the news broke of Simon Rattle's knighthood in June this year, one of the musicians in the City of Birmingham Symphony Orchestra told his colleagues, "Our Simon has been made a saint". Typically, Sir Simon's own reaction was more down-to-earth: "The first thought I had was 'I'm not dead yet!'"

Seeing that one of its exclusive younger artists was breaking into the top league, EMI Records had already decided that 1994 would be the year of Simon Rattle. The plan was to tie in new recordings with major appearances worldwide, such as Rattle's debut with the Vienna Philharmonic last December and the CBSO's visit to Warsaw, for which journalists were flown in from around the world. EMI says it wants "to give a sense of focus" to a highly-valued artist, but a hard-nosed businessman will recognise a marketing plan when he sees one.

The major classical record companies are having to work hard to maintain profitability. As recordings from the 1960s and '70s are issued at ever lower prices, the market is being saturated with versions of the standard symphonies and concertos. It is no surprise that some of the big companies, with their expensive conductors recording Beethoven's symphonies for the third time, are struggling to balance their books.

EMI regards itself as well placed with Rattle. Unlike many of the top conductors, he has made his central interest the music of the 20th century. The bulk of his recordings are of Mahler, Stravinsky, Britten, Bartók and other modern composers, rather than the classics. Promoting living British composers – such as Mark-Anthony Turnage, who was the CBSO's composer-in-residence – is a serious responsibility in Rattle's eyes and his record company is encouraged to see it the same way.

He persuaded EMI to record Nicholas Maw's *Odyssey*, a hugely expensive undertaking, which will not break even for years, if at all. The company denies that this was the price it had to pay to keep Rattle on board. Roger Lewis, Director of EMI's Classical Division, says that it is a "crude simplification" to weigh up the account in that fashion. "We want to look at our relationship in an enlightened and mature way. There is a synergy: the benefit from making that recording gets reflected throughout the rest of his catalogue".

He stresses that the company's commitment to Rattle is long-term – a phrase which means what it says in this industry. After 17 years with EMI, Rattle's recordings have only recently gone into profit. The pay-back on investment with classical musicians has to be counted not in years, but in decades. (With that in mind it will be interesting to see what EMI intends to do with Franz Welser-Möst, its other exclusive young conductor, only in his 30s, but wobbling in his career at the moment.)

As 1994 comes to a close, the Rattle year is being counted a success. Lewis says that the effect of the marketing blitz has been "measurable in sales terms" with a significant uplift in the US, where Rattle conducts in Boston and Los Angeles. They would expect to adopt the same approach again. Meanwhile, for Rattle, the path ahead looks assured, not least at EMI, with whom he has signed a new contract which stretches into the next century.

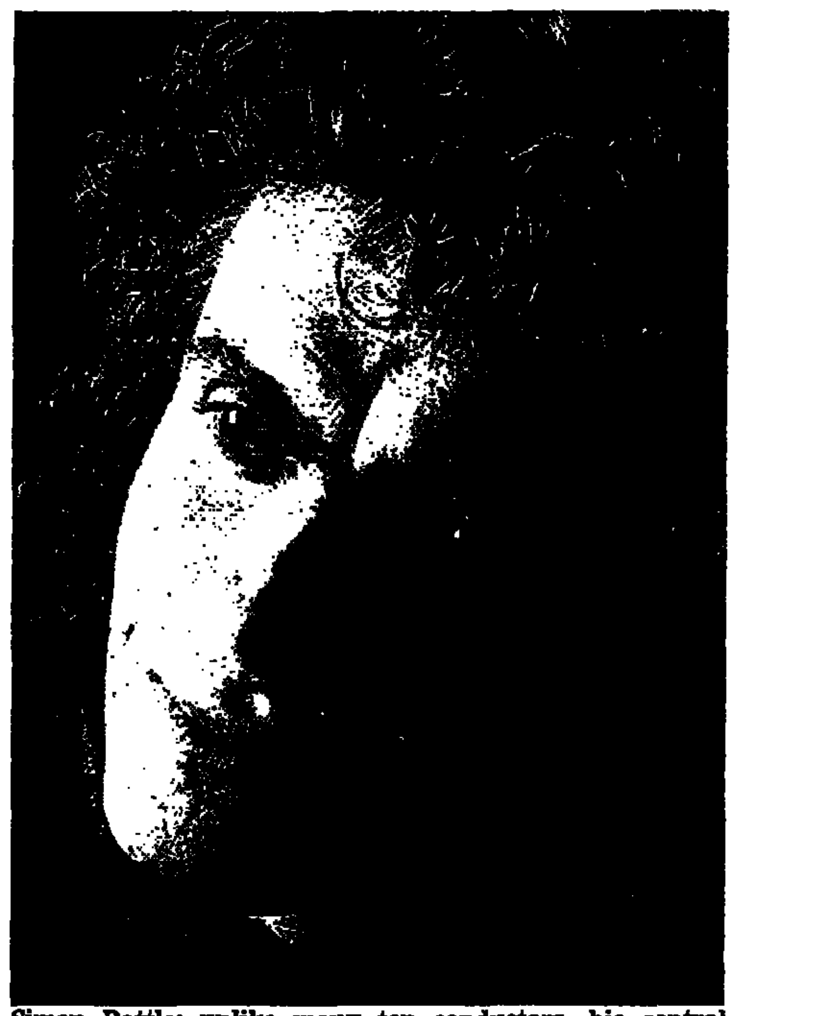
In Birmingham, he is unassailable. The CBSO will want to hold on to its music director as long as it can, certainly until the climax of its "Towards the Millennium" project, which lasts until the year 2000. This year's programme exhibits every sign of confidence. The season opened with a performance of Schoenberg's massive *Gurrelieder*, which sounded glorious in the fine acoustics of Symphony Hall and was warmly received, despite less than ideal soloists.

Then, last week, Rattle and the CBSO presented a major premiere by the Russian emigre Sofia Gubaidulina. Entitled *Zeitgestalten*, this is described by the composer as "a desire to convert the vertical time of timeless imagination into a linear form"; whereas to the listener it is more a succession of very striking sounds that may, or may not, have any deeper meaning. What is impressive is that it was done at all. The orchestra it demands (including six horns, electric guitars, accordion and an array of percussion) is vast and the cost surely enormous.

Abroad, Rattle is said to have enjoyed himself immensely in Boston, which rumour suggests may offer a serious ambition for the future. He is also a regular visitor to Berlin, where he offers characteristically unusual repertoire. His first recording with the Berlin Philharmonic, issued this autumn (another Rattle landmark), was Liszt's *Faust Symphony* and he also plants a feather in his cap as the first conductor to have put Rameau on the orchestra's music-stands. "After the initial chaos – and it *was* utter chaos – they took to it with such warmth and vitality. I was delighted, because I was as nervous as I've ever been there, and I'm never less than petrified."

The steady rise of his career is mirrored in his philosophy. "You learn in increments. Every month I am learning some great truth and wonder how I managed without it before. But I do suspect people who say it gets easier, because every little bit of wisdom brings its complications. Almost all musicians have areas that are easy for them, but it doesn't mean those are the ones they will do the best. With some pieces of music one is fated to fail."

At so early a point in his career the knighthood raised other problems. "My misgivings were personal. I considered very quickly what it meant for the orchestra, what it meant for my parents. The thing that convinced me was thinking of the use that Ian McKellen has made of his knighthood, turning it into extra ammunition for an extraordinary crusade. There is going to be another big fight for the arts in this country over the next 12 months. I'm amazed that people can so blithely take the existence of the orchestras in this country for granted, because extinction is close for many. I have the feeling that we'll have to use those extra three letters for whatever additional weight they may carry. It's just a shame that a knighthood can't be backward-looking. My mother would make an ace Lady Rattle."



Simon Rattle: unlike many top conductors, his central interest is 20th century music rather than the classics

Theatre

Grimm Tales

There are few tales in the Brothers Grimm more unlikely than the history of the Young Vic over the past year. Since salvaging the artistic directorship from a crisis of confidence that eventually heralded the departure of his co-director Julia Bardsley, Tim Supple has drastically re-scored the theatre's signature tune.

Supple has put commercial credibility back on the agenda with a little less of the inconvenient ideals, and a little more populist nous. Hot on the heels of John Byrne's *The Slab Boys Trilogy*, the theatre's first major critical success this year, comes *Grimm Tales*, a selection of eight disparate rumbles from the 201 stories the Brothers managed to collate from the dark ages of European folklore.

The striking feat of Supple's devised production is that it spans the adult/child age gap. A predominantly older audience might have preferred a grimmer night – some of the real gamey ones have been left on the shelf – but Carol Ann Duffy's adaptations have taken off many of the Disney filters that have domesticated the stories since the first edition in 1812.

When the cast first spill out onto Melly Still's slatted stage in *Hansel & Gretel*, dressed as if headed for one of Bruegel's peasant orgies, there is little to disguise the atmosphere of desperation that winds through the characters as they spin in and out of the story as narrators or in character.

With Chris Davey's lighting spiking the gloomy atmosphere through the floor, and Adrian Lee's mesmeric triumvirate of acoustic musicians kneading eerie medieval rhythms, this is no frothy ride from backwoods poverty to an MGM Oz. Rather it is a dark and disturbing journey through childhood fears harnessed compellingly by Linda Kerr Scott's Mother, who transforms from hard-edged Scottish drabness to the skeletal short-sighted crone. Even when Sarah C. Cameron's Gretel bundles her down a stage trap into the oven, her grasping hands with six-inch fingernails continue to rear out of the stage smoke, forcing Gretel to dispatch her with a kitchen knife.

If more epic tales, like *Iron Hans*, fail to grip with the same direct expediency as *Hansel & Gretel* or the seminal *Ashputtel* (*Cinderella*), this is because they lack their rough-hewn, gothic immediacy. Similarly *The Golden Goose*, though obviously emblematic, is a lesser, more pantomimic force. But *Ashputtel* is undoubtedly Supple's *tour de force* in this highly physical staging. There is little on the evening's menu to equal the moment when Linda Kerr Scott and Sarah C. Cameron as Ugly Sisters wincingly slice off their toes and heels to fit the fêted shoe; until, that is, Dan Milne's Mother Spirit plucks out both Sisters' eyeballs on the day Natasha Pope's cindered Ashputtel marries her Prince. But the most vindictive scenes are shared by Alan Perrin's improbably lugubrious Step Mother, when she hands out the scissors to her daughters, and Paul M. Meston's creepily aloof Father who rebutts the Prince with "there's only a grubby little kitchen maid my wife left behind". Retribution is rarely so sweet in Grimm.

With such uncomplicated sentiments and spoken fears, *Grimm Tales* has a rare potency that usefully challenges the relentless numbing violence of a video age.

Diana Southwell

Grimm Tales continues at the Young Vic until January 21

Sarah C. Cameron and Linda Kerr Scott in Hansel and Gretel Alastair Muir

Fascinating Aida's sugar-coated pill

Alastair Macaulay writes a letter to his niece

Darling Rachel,

Well, even if you weren't going to see Fascinating Aida, you'll sooner or later find yourself quoting them anyway; so you'd better go sooner. Not that I'm saying that you yet have any cause, while you're still only 20, to quote a song like "Fell in Love with a Man in Love with Another Man" . . . But the p.c. song is bound to come in handy. "We're politically correct, politically correct, All phallocentric language we reject. It's no use agreeing, We hate you just for being". Try it some time over Christmas at your father?

The great thing about Fascinating Aida, though, is not that you find yourself quoting their words. Kit and the Widow are quoteworthy too, for instance, but their music? The joke with those boys is that you've heard just about all the *music* before.

With these three women – Adèle Anderson, Issy van Randwick, and, most delectably, Dillie Keane – it's the music that lodges the words under your skin; the music, and their musicality in singing it. More particularly, the contrast between what they're saying (mainly breathtakingly tough) and how they're singing (mainly very sweet) develops an astonishing irony – like a sugar-coated pill.

The way their swingle-jazz item, "My Favourite Tool", also becomes a rap number too is, I think, musically brilliant, and it has the audience laughing long before they take in the words. But about half their songs are quiet waltzes, and it's typical of them that to the most tenderly Victorian of these they address, *dolcissimo*, "Dear little two-headed baby . . . the very last word in genetic mutation . . . What joy to give birth at a hundred at eight . . ." As I quote the mere words, their cynicism sounds all too horrid; but when you hear the music, the honeyed lullaby-like hush of it adds the most bewildering charm to it.

Still, their lyrics are a marvel of polish. Triple rhymes abound. (On being back with an old boyfriend: "I'm deranged/ To think that you have changed/ I'd like to see your features rearranged.") Camilla Park-and-Ride is there, and Mrs Major, and Naomi Campbell, and Portillos. There's already a little song about the cancellation of extra VAT on fuel. Especially in the second half, I guffawed at a number of unquotable lines.

But maybe their most wonderful feat is in putting together a whole clutch of soft blues numbers in Part One – numbers that cause a ripple of sympathy or approbation but scarcely one laugh. The mood darkens, and the tender plight of modern women is expressed in several different facets. "Fell in Love with a Man in Love with Another Man" is actually the most beautifully haunting song of the evening.

I sound like a groupie, but no. After years of hearing about them, and hearing cassettes of them, this is the first time I've actually been to see them. Which is worth it from the first moment Dilly Keane appears, with her dolorous face, big, hooded eyes, and the sagging corners of her dejected mouth. Adèle Anderson looks like a suave society lady from the 1950s; and Issy van Randwick like what used to be called a calculating little minx. All of which heightens the comedy; and turns the knife in the wound.

Come and stay if you're passing through London. Otherwise I'll see you at Christmas.

Much love from your wicked uncle,

Alastair

Garrick Theatre, WC1 until January 21

Theatre/**Sarah Hemming**

Peter Pan

Tomfool Theatre's engaging, dynamic adaptation of *Peter Pan* (at BAC, Battersea) is a world away from the usual staging – there are no green tights, no glittery sets and no special effects. This is not the version to attend if you want to spot the flying wire. Instead, this young company relies on the force of the story and simple, but inventive staging to hold your attention.

Director Tom Smith has drawn on Barrie's novels and play to put together his own interpretation, but while the mood may be playful, the storytelling is largely direct. This allows many of the unsettling themes at large in the story to emerge clearly without being forced home.

The action takes place on an empty set with one piece of furniture: a high hospital bed that features both in the Darling household and Never-Never-Land. When the Darling children fly away with Peter, they simply jump on to the moving bed. This is a neat device, since most children, at some time or other, have jumped off their beds, eyes closed tightly, hoping to fly –and the production is liberally sprinkled with such moments to reinforce the idea that the real world and the land of fantasy are closely intertwined.

Objects from the Darlings' neat Edwardian home reappear in Never-Never-Land: the metronome used by Mr Darling to keep time becomes the sound effect for the crocodile with the ingested clock, who pursues Captain Hook. The actors who play Mr and Mrs Darling appear in different guises in the fantasy world, as characters in dreams do, and this underlines the way ideas about abandonment and fear of adolescence echo through the story.

The Darling parents are a sweet, earnest couple, scarcely grown up themselves. Though Mr Darling has a moustache and says stern things, he is clearly far less worldly than Peter, played by Max Mackenzie as a streetwise urchin in a tail coat. When Peter and Tinkerbell arrive in the children's bedroom, instead of sprinkling fairy dust over the little Darlings, they tap a little ash from the end of Tinker's cigarette – a nice touch that suggests how Peter sums up all Mrs Darling's protective fears about losing her children to the wrong sort.

The production incorporates a nod to the panto tradition with one moment of audience participation, several hat tricks and a fair amount of tomfoolery. It loses impetus in the second half, becoming more muddled, and is much less successful in dealing with the darkest aspects of the story. Jake Nightingale's Captain Hook avoids being the pantomime baddie, but he also avoids being sinister at all, and by the time we reach the walking-the-plank passage on Hook's ship, the production has lost its edge. But overall this is an absorbing thoughtful reworking that encourages you to ruminate on the interesting psychological terrain explored by Barrie.

Battersea Arts Centre until January 15 (071 223 2223)

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 3345
● Nikolaus Harnoncourt: conducted by the Royal Concertgebouw Orchestra plays Schumann and Bruckner at 8.15 pm; Dec 9
● Sir Georg Solti: with the Royal Concertgebouw Orchestra and pianist Evgeny Kissin conducts Beethoven and Bartók at 8.15 pm; Dec 14

■ BERLIN

CONCERTS
Berlin Philharmonic
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado plays Monteverdi, Stockhausen and Tchaikovsky at 8 pm; Dec 9, 10, 14, 15, 18, 19
Konzert Haus Tel: (020) 309 21 02/ 21 03
● Berlin Choral Society: with the New Berlin Radio Orchestra plays Dessau and Bach at 8 pm; Dec 9
OPERA/BALLET
Deutsche Oper Tel:(030) 3 41 92 49
● Das Rheingold: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 7.30 pm; Dec 9
● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 14
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Verurteilung des Lukullus: by Paul Dessau. Conductor Hirsch, production by Berghaus at 8 pm; Dec 15, 18 (3 pm)
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Dec 14
● La Traviata: by Verdi. Conducted by Rizzi, production by Kirst. In Italian at 7 pm; Dec 11 (6 pm) , 17

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● The Dream of Gerontius: by Elgar. The London Symphony Orchestra with mezzo-soprano Anne Sofie Von Otter conducted by Sir Colin Davis at 7.30 pm; Dec 11, 15
Festival Hall Tel: (071) 928 8800
● Beethoven Series: Philharmonia Orchestra conducted by Nikolaus Harnoncourt. Symphony No 8 and 6 (Pastoral) at 7.30 pm; Dec 10
● Choral Classic Series: Royal Philharmonic Orchestra with soloists Judith Howarth (soprano), Ruby Philogene (contralto), Ian Bostridge (tenor) and David Wilson-Johnson (bass) perform Handel's, 'The Messiah' at 7.30 pm; Dec 9
● International Series: The London Philharmonic conducted by Bernard Haitink plays Berlioz (Overture, Benvenuto Cellini), Ravel (Mother Goose) and Vaughan Williams (Symphony No.5) at 7.30 pm; Dec 15
● Philharmonia Orchestra: conducted by Charles Dutoit and with pianist Pascal Rogé plays Mozart and Mahler at 7.30 pm; Dec 13
● Royal Philharmonic Marinsky-Kirov Series: Royal Philharmonic Orchestra with conductor Valery Gergiev mezzo-soprano Larissa Diadkova and the Royal Choral Society perform Prokofiev and Rimsky-Korsakov at 7.30 pm; Dec 12
● The London Philharmonic: conducted by Bernard Haitink, with soloists Karita Mattila (soprano), Ann Murray (mezzo-soprano), Keith Lewis (tenor), Robert Lloyd (bass) and the London Philharmonic Choir perform Beethoven Symphonies Nos. 1 and 9 (Choral) at 7.30 pm; Dec 11

GALLERIES
ICA Tel: (071) 930 3647
● The Institute of Cultural Anxiety: works of art and science by young British artists such as Angela Bulloch, Liam Gillick alongside works by more established artists such as Jeff Koons and Julian Opie; to Feb 12
Royal Academy Tel:(071) 439 7438
● The Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14

OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production at 7.30 pm; Dec 14
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Dec 10, 13, 15, 17
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Dec 9, 12, 16
Royal Opera House Tel: 071 240 1200
● Ashton Remembered: celebration of the Royal Ballet founder choreographer Fredrick Ashton. Includes pieces by Mendelssohn, Offenbach, Massenet and Walton at 7.30 pm; Dec 9, 15, 17 (2 pm)
● La traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Dec 13, 16, 19
● Mixed Programme by the Royal Ballet Company: includes Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 10 (2 pm) , 14
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 12

THEATRE
National, Lyttelton Tel: (071) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 15, 16, 17 (2.15 pm) , 19

■ NEW YORK

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 10, 16
● Lady Macbeth of Mtsensk: by Shostakovich at 8 pm;Dec 10 (1.30 pm)
● Madama Butterfly: by Puccini at 8 pm; Dec 14, 17
● Peter Grimes: by Britten. English at 8 pm; Dec 12, 15, 19
● Rigoletto: by Verdi at 8 pm; Dec 9, 13, 17

THEATRE
Joseph Papp Public Theatre Tel: (212) 598 7150
● Simpatico: directed by Sam Shepard. Set in the world of thoroughbred horseracing, with Beverly D'Angelo, Marcia Gay Harden and Ed Harris at 8 pm; to Dec 11 (Not Mon)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● French National Orchestra: Jeffrey Tate conducts Beethoven Symphonies Nos. 2 and 3 at 8 pm; Dec 15, 17

GALLERIES
Louvre Tel: (1) 42 60 39 26
● British Art in French Public Collections: paintings by Gainsborough, Reynolds, Constable, Lawrence and Turner. Closed Tue.; to Dec 19

OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Kitege: by Rimsky-Korsakov. Director Valery Gergiev at 7.30 pm; Dec 10, 11
● Sadko: by Rimsky-Korsakov. Musical director Valery Gergiev at 7.30 pm; Dec 9
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; from Dec 9 to Dec 31 (Not Sun)

■ TURIN

OPERA/BALLET
Teatro Regio Tel: 011 8815 241
● Lo Schiaccianoci: ballet in three parts by Tchaikovsky. Performed by the Kirov company, St Petersburg. Sun mat only at 3 pm; from Dec 10 to Dec 18 (Not Mon)

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● An Evening of Opera and Chamber Music: Selections from a new opera and chamber music by Soong Fu Yuan. With soprano Yan Yan Wang, tenor Robert Brubaker, bass Don Yule, the Camerata Quartet and conductor Fy Soong at 7.30 pm; Dec 11
● National Symphony Orchestra: perform Handel's Messiah. With conductor Peter Bay, soprano Janice Chandler and mezzo-soprano Stephanie Blythe at 8.30 pm; Dec 16, 17, 18, 19

OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● The Nutcracker: music by Tchaikovsky. Presented by the Joffrey Ballet, choreographed by Robert Joffrey. No show Dec. 12th, mats at 2pm otherwise at 8 pm; to Dec 17

WORLD SERVICE

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NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

The peace prize

Britain would gain from investment in N Ireland, says Stewart Dalby

When Mr John Major, the UK's prime minister, addresses the international investment conference in Northern Ireland next Wednesday, it will almost certainly have crossed his mind that Britain could reap considerable dividends from peace in the province.

The UK exchequer currently subsidises Northern Ireland to the tune of £3.5bn annually. This is the net subvention after taxes and other receipts, and excludes the direct costs of the British army presence, which could add a further £500m to the bill. In total, the province is costing UK taxpayers the equivalent of about 2p on income tax.

Government spending per head of Northern Ireland's 1.6m population is around 50 per cent higher than for the UK as a whole. Security does not account for all of this difference. Public spending per head is also higher in industry, agriculture, health and education. Subsidies to these areas, with spending on security deducted, accounts for approximately 20 per cent of the province's gross domestic product of nearly £12bn.

The evidence of such large subsidies is manifest. The modern port at Larne is considered more efficient than Dublin's, and handles much of the Republic's exports. Some of the new housing estates in inner-city areas rate among the best in the UK. The transport system is heavily subsidised, and the capacity of the province's road network far exceeds traffic needs.

The province also receives money from the European Union, under the Objective 1 programme, targetted at areas on Europe's fringes with per capita income of less than 75 per cent of the EU average. The province is due to receive £1bn between 1994 and 1999, from the EU's structural funds under this programme.

Objective 1 funds paid for a recent expansion of Belfast International Airport, which is now handling 2.3m passengers a year on direct flights to 11 destinations. They also funded the installation of electricity on Rathlin Island, the only inhabited island in the province.

The moves towards peace are generating further aid commitments. EU leaders are expected to agree new aid to bolster the peace plan at today's Essen summit. These peace grants could total Ecu300m (£233m) between 1995 and 1999.

M)r John Hume, leader of the Social Democratic and Labour party has been a tireless and successful fund raiser for Northern Ireland and was instrumental in setting up the multinational International Fund for Ireland, which promotes cross-border co-operation with the Republic of Ireland. This fund has drawn contributions from the US as well as the EU and now stands at $150m.

Sir George Quigley, for many years permanent secretary at the finance department of the Northern Ireland Office and now chairman of Ulster Bank, defends the level of spending, claiming that in Northern Ireland special factors are at work.

In education, extra spending is needed to fund three different kinds of schools

"Given the unique situation here with sectarian divisions, and employment problems it has been necessary to spend money to achieve a degree of stabilisation. It is important to try and mop up unemployment."

In education, for example, extra spending is needed to fund three different kinds of schools: church schools, predominantly protestant state schools, and non-sectarian state schools, he says. He also points out, as do many others, that Northern Ireland has the best A-level results in the UK.

Spending on health and hospitals has been necessary not just because of the violence, he says, but also because Belfast and Londonderry have suffered from inner city deprivation, leading to a generally low level of health.

However, Sir George concedes that Northern Ireland has become a largely public sector economy – described by many commentators as a dependency culture. Forty per cent of those in work are employed by the public sector, double the UK average.

In particular, the security industries have been an important provider of jobs, especially for protestants, with 12,000 full and part time members of the Royal Ulster Constabulary. There are also 6,300 full and part-time members of the locally recruited Royal Irish Regiment. Jobs in the police mean income and mortgages and money pumped into local economies.

And Northern Ireland has an extremely high level of unemployment. Its traditional industries such as shipbuilding, engineering and textiles have been in long term decline, with manufacturing accounting for 18 per cent of employment.

The violence created difficulties in attracting outside investment and inward investment has been drawn only through the liberal use of grants. This year the Industrial Development Board for Northern Ireland will spend £148m in attracting new investment, in one of the most expensive job creation schemes in the UK.

However, the alternative, of unemployment, has also placed a heavy burden on government spending. At 12.7 per cent, the jobless total in Northern Ireland is the highest average in the UK. This reflects a higher proportion of women included in the labour force than in the rest of the UK. But it has also been exacerbated by the high level of live births, which is the greatest in western Europe – higher even that the Republic of Ireland. This has generated a constant stream of young entrants to the labour market, even after allowing for emigration.

Against this background, Sir George estimates that a lasting peace could mean a loss of 20,000 jobs, which would be a considerable addition to the 100,000 already out of work.

In the longer term, jobs are likely to be created in a revived tourism industry and from closer integration with the Republic, this will not compensate for the jobs lost unless there is considerable inwards investment.

Even with peace, Mr Major cannot expect to cut the bill in the foreseeable future. But ultimately it will mean a reduction of the public sector's role. Hence the great emphasis on attracting investment for permanent jobs.

Frankfurt brushes up its act

Germany's financial capital is improving its appeal as a regional centre, says Andrew Fisher

Frankfurt has not always had the most inspiring of images, either as a place to live or as a centre for financial activity. Several years ago, foreign bankers posted there often saw it as something less than an enhancement of their career prospects.

But while some still complain about the lack of lively wine bars in which to unwind after hours, Frankfurt's appeal as a financial centre is improving.

Foreign banks are stepping up their activities, the big German banks have learned new tricks in global equities and the complex financial instruments called derivatives, and the authorities have introduced changes in the markets to make them more attractive to foreign investors.

While these improvements will not put Frankfurt right up in the ranks of global centres such as London, they will reinforce its role as continental Europe's leading regional financial centre.

These plans will be put to the test when one of the biggest state sell-offs in the 1990s – the partial privatisation of Deutsche Telekom, the telecommunications concern – takes place. Success in selling the shares to big international institutions and retail investors at home and abroad will depend on how well the DM15bn issue, due in 1996, is managed and marketed.

Mr André Teeuw, head of the German operation of Barclays de Zoete Wedd, the UK investment bank, is confident that the Deutsche Telekom issue "will contribute to international awareness that Frankfurt is growing in importance as a financial centre".

If the Deutsche Telekom share sale is successful, it could encourage big institutional investors to take more interest in Germany. Only $2.7bn of the net flow of $68bn into foreign equities by US investors last year went into Germany, said Mr Andreas von Buddenbrock, head of investment banking at the German operation of Merrill Lynch, the US investment house.

Compared with the UK, the number of new issues on the German equity market has been small. Last month saw one of the largest such offerings, the DM530m sale of 25 per cent of Hanover Re, the world's fifth biggest reinsurance group; the over-subscribed issue was the seventh biggest in 10 years.

But there will have to be many more if Frankfurt is to play the important regional financing role, serving west and east Europe, that many participants see as its main future.

Investment bankers look forward to such a development as German companies seek new funds to stay competitive in a fierce and fast-changing world business environment.

"I expect to see a lot of new entrants to the German stock market," says Mr Piers von Simson, head of European operations at S.G. Warburg, the UK investment bank. "There will be a lot more *Mittelstand* [medium-sized] companies coming; the new issue market will open up."

An acceleration in the sluggish pace of new listings would benefit Frankfurt, which dominates German trading in securities, futures and derivatives. Home of the Bundesbank, Germany's powerful central bank, the city's status was enhanced last month when the European Monetary Institute, forerunner of the planned European Central Bank, moved into its new premises.

The surprise decision last week by BASF, the German chemical group, to de-list its shares from the seven regional bourses and concentrate on Frankfurt is a further boost. Other companies are likely to follow, thus reinforcing the Frankfurt stock market, which accounts for three-quarters of share dealings. The others may eventually be confined to an advisory rather than a trading role (though local politicians will resist this).

Not everything is going Frankfurt's way, however. Its financial self-esteem was shaken by the recent decision of Deutsche Bank to put its international investment banking activities in London, home of Morgan Grenfell, its UK merchant banking subsidiary.

Most bankers accepted that Germany's biggest bank needed to be in London to develop a more credible presence in this highly competitive and innovative business. But Deutsche Bank's move highlights the strengths and weaknesses of Frankfurt, located in Europe's most powerful economy.

"I remain very positive for Frankfurt as a financial centre and I think it is right to say it is the financial centre of the continent," said Mr Hilmar Kopper, the bank's chairman.

"It may, over time, backed by the strength of the D-Mark and the size of our economy, be in a position to extend its lead on the continent," he added. "But I still maintain that for many years to come, London will remain the more international marketplace."

This week's announcement by Dresdner Bank, Germany's second biggest bank, that it is to strengthen its investment banking activities in London reinforces that point.

It is in New York, Tokyo and London that the biggest concentrations of financial talent and banking strength lie. Located around each of these are smaller but thriving regional markets, and Frankfurt's aim is to be pre-eminent among those on the continent of Europe.

"The reason Frankfurt is so important is that it's in the most important economy in Europe," said Mr Tim von Halle, Merrill Lynch's capital markets director in Germany. But in spite of housing Europe's second busiest stock exchange outside London and its biggest bond market, it has not always capitalised enough on its location in generating investment business.

The government, market authorities and banks have taken several steps to help Frankfurt meet the growing demands put on it.

New legislation has been passed to overhaul financial markets, evolved in an era when banks and companies were wedded to the cosy house bank style of corporate lending.

Insider trading is no longer outside the law; it has been illegal since August and next year, a new supervisory authority will start policing securities dealings.

More stringent share disclosure requirements are being introduced so holdings exceeding 5 per cent will have to be made known (the disclosure level is currently 25 per cent).

German companies wanting to raise new share capital can now do so without having to offer pre-emptive rights to existing holders.

On the trading and settlement side, Frankfurt has introduced advanced electronic systems and has a successful futures market, the Deutsche Terminbörse (DTB).

"By German standards, they [the government and market authorities] are doing a pretty good job," said Mr Christian Klein, treasurer at Landesbank Hessen-Thüringen (Helaba), the Frankfurt-based regional bank. "The insider trading law is really tough."

But there is still further to go, according to bankers. Action is needed to protect minority rights in takeovers; there is no takeover code or set of rules to guarantee fair treatment for all classes of shareholders.

Nor are there enough quoted companies to satisfy many big investors; and liquidity in many stocks is restricted by the existence of large stakes by banks and institutions.

German companies also need to make their accounts clearer and more transparent, said Mr Buddenbrock. "From a corporate perspective, a major decision has to be made to open up information more to international investors."

The prospect of the Deutsche Telekom share sale alone will not right these deficiencies. For Frankfurt's growing status, says Mr Teeuw, the sale "will be a confirmation rather than a big push".

The government is keen for the issue to attract private investors to the idea of share buying and will put strong pressure on the banks to see this happens. The next year will show whether Frankfurt proves up to the job.

Frankfurt: raising its profile

German new share issues

Year	Number	Total raised (DMm)	Biggest issue		DMm
1992	8	805	Walter Bau	Construction	368
1993	8	967	Hoch & Woerner	Construction	291
1994	10	1,020	Hanover Re	Reinsurance	530

Volume of business on Frankfurt stock exchange

Year	Total (DMbn)	% of German total	Shares (DMbn)	Bonds (DMbn)
1990	2,385	68	1,128	1,257
1991	2,430	70	905	1,525
1992	3,162	69	976	2,186
1993	4,873	71	1,413	3,460
1994*	5,201	74	1,415	3,786

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Simple way to determine fair pay

From Keith McNeish.

Sir, Mr Blackaby pursues the line favoured by some Japanese companies (Letters: December 7) – that there should be a simple ratio between the chief executive and the lowest paid in any company.

Unfortunately, the ratio approach ignores important differences between companies, particularly structural ones. Some companies are very flat. In a cleaning firm, for instance, Mr Blackaby's cleaner may be only one or two layers down from the chief executive. Therefore the appropriate ratio may be 5:1. On the other hand, a hotel conglomerate may justifiably have 10 or more layers between the two positions, requiring 50:1.

The simplest way to approach pay fairness is to look at the differential which should be paid to someone when he has to take on a position at the next level of responsibility. Just as a tradesman needs a salary enhancement to take on the foreman's job, so a director should expect to receive a differential for being appointed as the chief executive and ultimate can carrier.

Determining what the differentials should be in percentage terms has to vary from company to company – again, it is affected by factors like structure and decision-making style. However, if shareholders wish to cast aside the market factor as the most important determinant of executive salaries, they would make more headway with the differential approach than by searching for a universally applicable ratio.

Keith McNeish,
Bacon & Woodrow,
London SE1 2EP

Democracy wins in VAT vote uproar

From William Bakewell.

Sir, Why all the uproar surrounding the defeat of the UK government's plans to increase value added tax on domestic fuel? Surely this is how proper democracy should work?

A measure which is clearly unpopular with the majority of the electorate, and is now not necessary because of the improved borrowing requirement, should not be allowed to proceed.

MPs should not be forced to vote against their beliefs and constituents' wishes for narrow party interests.

Were parliament more representative of the electorate, bad and unwanted measures would be put forward less frequently. The various political parties, whose policies seem increasingly similar, would be obliged to work together, and we might get away from the appalling confrontational system which serves us so badly and continues to exacerbate the divisions in our society.

Unfortunately, while we the electorate are so apathetic on these matters and mainly inherit the way we vote – against rather than for anything – we are stuck with the stale dead-end status quo, whichever of the two main parties is in power.

William Bakewell,
financial director,
Yamaha,
Mitsui Machinery Sales (UK),
Sopwith Drive,
Brooklands, Weybridge,
Surrey KT13 0UZ

Airline puff

From Andrew Smith.

Sir, Your survey of business travel ("When smoke gets in passengers' eyes", December 5) contained a small error concerning smoking on aircraft. While in the Middle East recently, I was pleasantly surprised to find that Gulf Air has a no-smoking policy on all intra-Gulf flights – a great relief after earlier trips in the region where, as you say, some airlines have smoking on the right, no-smoking on the left.

Andrew Smith,
11a Bronsart Road,
London SW6 6AJ

A bit offside on set-aside

From Robert Sturdy MEP.

Sir, Alison Maitland's article "Farm leaders attack set-aside delay" (November 29) on the National Farmers' Union concerns about the European Parliament's delay in agreeing to a reduction in set-aside was spot on. As a farmer, I heartily agree with Sir David Naish's fury at "verbal sparring" by politicians at the expense of farmers, and their urgent need to get on with winter drilling.

But not all politicians are the same. As Conservative agriculture spokesman, I made precisely this practical point during the November sessions of the European Parliament in Strasbourg. For a farmer, set-aside is a waste of valuable resources. Any reduction, however small, is a step in the right direction.

And the Conservatives and their Christian Democratic allies – alas, no longer a majority in Strasbourg – were consistent in urging swift approval of this measure. Those who held things up were the Socialists and Greens, 25 of whom walked out of the debate in Strasbourg last month to ensure there was no quorum.

Fortunately the issue came before the parliament again last week, and this time we overcame plans – from the same people – to delay it further. When the vote was taken, we got the measure through.

Labour says it objects to the Common Agricultural Policy. But presented with a golden opportunity to do something about one of its worst elements, we saw it instantly bend with the wind, or possibly some passing hot air. My political colleagues on the left ought to take a peek outside.

Robert Sturdy,
MEP for Cambridgeshire,
Cambridge CB3 7QJ

Prey to the Hong Kong mini-trap

From Mr P.B. Harris.

Sir, In the article "1000 days of uncertainty" (December 3-4), Simon Holberton and Peter Montagnon state: "The transfer of sovereignty is full of seemingly innocuous details that turn out to be traps for the unwary." Indeed so, for they describe the Basic Law as a "mini-constitution for post-1997 Hong Kong".

While you can have mini-skirts, mini-buses and mini-cars, you cannot have mini-constitutions because sovereignty cannot be parcelled out in mini-portions. Sovereignty is, or is not. Failure to understand this implies a failure to understand anything about the Hong Kong conundrum.

P.B. Harris,
emeritus professor of political science,
University of Hong Kong

Strong competition for council cleaning

From Mr John Roberts.

Sir, Your one-sided article, "Council cleaning overspend revealed" (December 6), shows that Dr Stefan Szymanski has once again chosen to produce a report using dubious methodology to attack the public sector.

His claim that in a significant number of local authorities "competitive tendering is little more than a fiction" does not stand up to closer scrutiny. According to comprehensive data collected by the Local Government Management Board, building cleaning is the most competitive of the services subjected to CCT.

Here, the private sector has managed to win almost 57 per cent of contracts let to date. This compares very favourably with the other defined activities, where private sector penetration is, on average, just 38 per cent. In addition, the LGMB data reveal that only 15 per cent of current tender awards have been retained in-house with no outside competition.

What Szymanski's report does reveal most clearly, however, is the shocking level of wages paid to workers by some private firms. Wage costs in the building cleaning industry account for 80-90 per cent of total costs. It is hardly surprising, therefore, that firms paying subsistence-level wages to workers drawn largely from the most vulnerable sections of society, many operating in the black economy, are able to undercut more realistic wage rates offered by councils' direct service organisations.

John Roberts,
director,
Association of Direct Labour Organisations,
Manchester M1 5WG

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Friday December 9 1994

Clarke fills his VAT hole

Parliament sank VAT on domestic fuel on Tuesday evening. Yesterday, Mr Kenneth Clarke responded, in a sensible fashion.

The idea of VAT on fuel is not in itself objectionable. A uniform VAT would distort consumer choices less than the VAT the UK has; combined with suitable tax and benefit offsets for those on low incomes, a uniform VAT could also be more progressive than the taxes the UK has. What was wrong with this proposal was the inadequate compensation to lower-income households, other than pensioners.

The measure was thrown out for other reasons as well. Among them was the perception that taxes were being raised this year, to be lowered next. Such a switch may be politically acceptable if the unpopularity of the increases is less than the popularity of the subsequent reductions. In the case of VAT on fuel, that was hardly the case.

The chancellor could have forgotten about the lost revenue, on the grounds that it was marginal. But total revenue is raised from a series of individually marginal taxes. Once made, a budget judgment needs to be adhered to, unless economic circumstances have altered dramatically. More important, the Commons has to appreciate the basic disciplines of budget-making. Once a budget has been devised, any loss of revenue entails additional revenue or additional expenditure cuts.

As the Institute for Fiscal Studies noted, yesterday's changes are progressive. Because the replacements are also taxes on sin (in which category driving is now included), there should be little political opposition.

What are the lessons of this experience? One is to avoid multi-year budgets, since taxes may not look as urgent when they are introduced as when they are announced. Another is to eschew particularly unpopular taxes if you have a small majority. They seem painfully obvious now. They have certainly been painful.

A new Japan

Japan has changed a good deal in the year since the Organisation for Economic Cooperation and Development's last assessment of the country's economic prospects. The economy has finally begun to emerge out of recession. And the political turmoil of recent years - though far from over – has given birth to a clear challenge to the one-party rule of old.

The Japanese electorate will tomorrow gain a credible alternative to the ruling Liberal Democratic party, with the inauguration of the New *Frontier* Party, to be led by Mr Toshiki Kaifu. A few days later, the country will also gain a new central bank president, Mr Yasuo Matsushita, who takes over from Mr Yasushi Mieno on December 16th. The OECD survey, published yesterday, gives reasons for both new arrivals to be optimistic about the future, but little cause for complacency.

The report confirms that the economy entered a "phase of gradual recovery in the second half of this year". The organisation now predicts real GDP growth of 1 per cent in 1994, a little more than it forecast in June. GDP growth is expected to pick up further in 1995, to 2.5 per cent, though this will depend heavily on the strength of the yen and Mr Matsushita's approach to his new job.

His predecessor's overriding objective was to foster economic growth without the barest hint of inflation. Consumer price inflation has indeed fallen steadily since the middle of 1993. The domestic deflator for GDP – a less distorted measure of domestic prices – fell in the third quarter of this year, for the first time in seven years. Most believe that official measurements significantly under-state the extent of the decline in prices, which shows little sign of being reversed.

Signs of economic recovery recently appeared to be pointing Mr Mieno in the direction of tightening monetary policy. While the discount rate – at 1.75 per cent – has been unchanged for over a year, he has made sporadic attempts to push up overnight money market rates. Each has been foiled by further strengthening of the yen, and weakening of the stock market. Both should serve as a reminder of the other tasks which Mr Matsushita will inherit, none of which is as close to being achieved as the first.

As the OECD point out, the feeble state of domestic demand argues for a further lowering of interest rates, if anything, since real rates remain relatively high. Mr Matsushita should also give a higher priority to speeding up the recovery of the financial sector, still burdened by misguided lending of the bubble era. He must lend weight to the government's still disappointingly tentative deregulation efforts.

Another wave of such reforms is due to begin in the spring of next year. As the OECD admits, important steps have been taken in recent years to ensure that the fragile, consumer-led recovery of the past few months will lead to a longer-term re-balancing of the Japanese economy. In the medium term, the development of a new source of political authority in the Diet ought to facilitate more rapid reforms of the regulatory and fiscal systems.

Japan is unlikely ever to repeat the heady export-led growth of the past few decades. Some of the seeds of a new kind of growth have been laid in recent years. They will need active nurturing, however. Japan's new, and not so new, leaders ought to convince themselves that it is a welcome task – and press on with it.

Warburg's choice

S.G. Warburg has always looked the UK merchant bank most likely to succeed in the fiercely competitive global investment banking business. Its decision to accept the status of junior partner in a proposed merger with US investment house Morgan Stanley will thus be seen as a blow to the prestige of the British-owned merchant banking fraternity. Yet it is hard to see how Warburg could win a lasting place at the top if it continued to go it alone. For while it has long been the most internationally-minded of merchant banks, it has signally failed, over decades, to make convincing inroads into the world's tougher markets, most notably the US.

That is not to decry the achievements of Warburg's management. The successful completion of the merger of the separate broking, jobbing and merchant banking businesses of Rowe & Pitman, Mullens, Akroyd & Smithers and S.G. Warburg at the time of the Big Bang was a remarkable achievement. Equally striking has been Warburg's strength in the rapidly growing cross-border financial business and in a wide range of domestic activities. Yet the figures fail to impress if measured by the highest standards.

The net income of Warburg's potential partner, Morgan Stanley, grew around seven-fold from before the firm's flotation in the mid-1980s to $731m last year. Over the same period its capital rose more than fourteen-fold from $314m to $4.5bn. In dollar terms, Warburg's post-tax profits rose from $86m to $280m between 1986 and the end of 1993, while its capital increased only four and a half times from $509m to $2.3bn. Morgan has lost some of its edge since the early 1980s and has suffered defections. But in a global game where a capital of $5bn is probably the minimum entry fee, it was still in with a chance.

While the figures are not wholly comparable, Warburg has clearly found the going tougher. Yet its preferred solution should not give cause for concern about the City's international competitiveness. The readiness of Deutsche Bank and others to locate much of their capital market activity in London reflects the very opposite of the branch plant syndrome. Within the European time zone, London still has most to offer and has seen substantial jobs growth since Big Bang, much of it in foreign firms. Part of London's strength has precisely been its openness to foreigners, as the names of British merchant banks so eloquently attest.

It is nonetheless worth asking why one of the best managed British banks has failed make it to the very top. Wall Street firms enjoy an undeniable advantage in the size of their domestic corporate sector. Yet Morgan Stanley had less capital than Warburg in the mid-1980s and has outgrown it by a huge margin. Warburg, meantime, failed to pull off a merger with Kuhn Loeb in the 1960s, an alliance with Paribas in the 1970s or to make a success of the joint acquisition with Paribas of US commercial paper firm A.G. Becker later in the 1970s.

That inevitably raises questions about the attempt to resolve a strategic problem via a merger. Management cultures in banking rarely mix well. Cross-border alliances in this area have, in the main, been fraught. The wider question is whether the fully integrated global investment banking game, which is increasingly dependent on low-grade trading profits, is worth the candle. Warburg's founding genius, Sir Siegmund Warburg, had little doubt that small was best.

Private investors are flocking in, as the government opens infrastructure projects to them, writes **Stefan Wagstyl**

The mending of India's backbone

India's infrastructure: powerless

Power		
Current capacity		76,700MW
Likely capacity addition by March 1997		19,800MW
Current shortage (%)		10 (16 at peak)
Likely shortage by March 1997 (%)		14.5 (over 20 at peak)
Theft and transmission losses (%)		21.8
Telecommunications		
Lines		8m
Target for March 1997		15.8m
Target for March 2000		20m
Telephones per 1,000 people		8
Target of lines per 1,000 people		60-70
Roads	1951	1994
Vehicles	300,000	25m
Paved roads	4m km	20m km
National highways	20,955km	34,058km

Sources: Ministries of power, telecommunications and surface transport

It takes four days to drive 1,500km from Delhi to Bombay, three months to get electricity connected in Madras, and up to five years to obtain a telephone line in Calcutta.

Such poor infrastructure is acting as a drag on the Indian economy, and threatens to undermine the market-oriented reforms launched three years ago by Mr P.V. Narasimha Rao, Indian prime minister.

Out of necessity, rather than ideological conviction, Mr Rao has been forced to open telecommunications, power and basic services to private investors, in an effort to raise the billions of dollars needed to build the backbone of a modern economy.

In electricity, government planners estimated in the early 1990s that the country would need to expand its generating capacity of 70,000MW by 48,000MW in 1992-97 to meet forecast increases in demand. In fact, less than 20,000MW will be built, because of the squeeze in public spending. Simply making up the shortfall would require about $28bn of private investment.

As for telecommunications, India has one of the world's least developed networks, with just eight telephones per thousand people compared with 14 in China and 130 in Malaysia. The government estimates that clearing the existing waiting lists would require Rs230bn of private investment – on top of Rs330bn earmarked from public funds for 1992-97, the period of the current five-year plan.

And in transport, the ministry has listed construction schemes worth $6bn, including motorways, roads and bridges for private companies to build, own and operate by charging tolls. Officials are also seeking investment in shipping and ports, including a $500m scheme for a new terminal at Bombay.

With only China and Indonesia offering opportunities on this scale, companies have flocked to India. The power ministry boasts of proposals from more than 100 consortia, including international companies such as General Electric and Bechtel of the US, National Power of the UK and ABB, the European combine. No fewer than 84 companies bid for contracts to provide telecoms paging services. And 42 companies have asked for detailed project information on roads.

As Mr Rajeev Talwar, a senior transport ministry official, says: "The amounts of money we need to invest are immense. But we have had an overwhelming response from private industry."

However, there have been few actual commitments. Investors are still unsure that India represents a good long-term bet, and there have been delays on the Indian side. Time and again, the government has raised expectations with sweeping policy announcements, but dragged its feet in deciding important details. Mostly, this is because few countries have any experience of private investment in infrastructure on such a large scale.

Mr John Mail, project director for National Power, which is developing a $1.8bn power station scheme in the central state of Andhra Pradesh in partnership with the Hindujas, a London-based business family, says: "Nowhere in the world has a project of this size been done."

The delays have also been caused by the complexities of Indian decision-making. Both the ruling Congress (I) party and the bureaucracy have long been wedded to socialist traditions. Genuine converts to free-market capitalism are few, and decisions are taken cautiously.

Often officials have deliberately kept rules governing private sector investment vague, to maintain their discretionary powers – and opportunities for demanding bribes.

As Mr Manmohan Singh, the finance minister, recently said: "There are complaints that the opening up process is not transparent. I think there is merit in these complaints and we have to attend to improving the system."

In addition, power is shared in India by many institutions, both central and local, including the state administrations. The world's largest democracy dislikes government by fiat. Legal challenges are frequent: for example, the award of licences for cellular telephone operators was delayed for more than 18 months by court action.

Nevertheless, progress is being made, notably in power, where the government is encouraging up to six fast-track schemes, which it hopes will be finalised next year. The framework for private power operations has been worked out in negotiations with the would-be investors, notably Enron, the US energy group, which is planning a 695MW plant in the western state of Maharashtra in partnership with General Electric and Bechtel.

The investors' main concern was ensuring payment from the loss-making state electricity boards, which dominate power distribution and are politically controlled. The boards are required to supply low-cost or even free power to favoured customers such as farmers.

After negotiations, it was agreed that state administrations would guarantee the boards' payments, and Delhi would counter-guarantee the states, at least for the first few projects. This has been criticised in India for relieving investors of some of their commercial risk and allowing politicians to postpone the reform of electricity distribution.

However, such guarantees should see construction begin on the first new private schemes late next year and, by 1998, India's first new private generating stations should be in place.

The 3,000MW of power that the first private projects are set to produce will represent only a fraction of the extra electricity that India needs, however, with the state remaining the country's main source of power. Of crucial importance will be the efforts to increase and improve public capacity – possibly with the help of private companies, such as Rolls-Royce of the UK, which have offered to manage renovation schemes.

There has been less progress so far in telecommunications, where the government has run into a series of political, bureaucratic and legal tangles. For example, licences for operating cellular-telephones in the four biggest cities of Bombay, Delhi, Calcutta and Madras were originally granted two years ago. But losing companies challenged the awards and it was not until this autumn that new licences were handed out. Even now, the companies are not free to launch services, with important operating conditions still to be settled.

The government announced in principle only in May this year that private operations were to be allowed in basic telephone services. Now officials are working out guidelines and plan to float tenders in January. But for foreign companies one important rule is in place – for both cellular and basic services the maximum level of foreign ownership is to be 49 per cent.

As pent-up demand is released, executives believe the investments could flow fast. At least 100,000 mobile phones, and up to 300,000 or 400,000 according to some estimates, could be sold in the first year of operation. The total investment in two years could reach $200m-$500m. In basic services, it could be $10bn in five years, say industry executives. An official of Alcatel, the telecommunications equipment maker, says: "We believe India is the next China. The growth rate in telecoms will be the same."

Private investment in roads is a more remote prospect. India has attracted some extravagant proposals, including one from Renong, Malaysia's biggest group, to build 12,000km of motorway for $25bn. But there are serious doubts about whether toll roads can be successfully run, given the widespread reluctance in India to pay commercial rates for public services.

Nevertheless, building companies, like their counterparts in power and telecommunications, are swarming into India. As Mr Amit Sharma, director for central and south Asia at Motorola, the US electronics group, says: "Everybody wants to be in Asia, especially China and India. Today they want to be in India even more than in China. But lots of patience is required."

Jobs for life still available to many

PERSONAL VIEW

It is a widely held belief that "lifetime jobs" have become a thing of the past. This view informs debates on a wide range of topics including the future of the welfare state, employment policy and training.

Presenting the report of Labour's Social Justice Commission, Sir Gordon Borrie, the commission's chairman, wrote: "Governments have failed to keep pace with revolutionary changes that have transformed the nature of work and society. There has been an economic revolution in skills and competition. It... killed the notion of a job for life."

Management expert Charles Handy also believes that "no longer can one expect to sell 100,000 hours of one's life to an organisation".

The general argument is that with greater international competition and the introduction of new technology, pressures on the labour market to adapt have meant jobs of shorter duration.

Our research has found little evidence of such changes. In an annual series of large, representative surveys, workers have been asked: "How long have you been with your present employer?" In 1975 the average for men was 10.4 years, and 6.3 for women. Nearly two decades later in 1992, the average for men was 9.5 years and again 6.3 for women.

Two points follow from these figures. First, they provide scant evidence that the pattern of a typical working life has changed fundamentally. For men, this is a decline of about 8.5 per cent over 18 years; for women there is essentially no change.

These small differences suggest that popular assumptions about a transformation in the nature of jobs are misleading.

Second, it is clear that, on average, people hold their jobs for a long time. These data relate to the length of time people have been in their present jobs so far. We can use estimates of the chance of them continuing in those jobs to calculate the average completed job tenure. In 1990, this is about 18 years for men and 12 years for women.

Such numbers suggest that most people can still expect a stable long-term job at some stage of their careers.

In fact, these averages summarise quite a complex pattern. The figures show a lot of people with short jobs and a lot of people with very long tenures.

This is particularly marked for men, with 29 per cent having completed tenures of less than five years, and 24 per cent with jobs lasting more than 30 years. If jobs lasting 20 years or more can be labelled "lifetime" jobs, the UK labour market in 1990 is still capable of offering such jobs to 45 per cent of all male workers.

The figures show a lot of people with short jobs and a lot of people with very long tenures

It is also true, of course, that a substantial fraction of the workforce has jobs that last only a very short time. But this has been the case for at least the past 18 years, and there does not seem to be any substantial increase in the number of jobs of short duration.

Looking back over the past 18 years, there has been a gradual increase in job duration as the labour market worsened from 1979 to 1983, and a subsequent fall as times improved through to 1990. Job duration increased slightly between 1991 and 1992, as unemployment began to rise again.

There are two reasons that explain this cyclical pattern. First, fewer people are hired in a recession, so there are fewer people who have been working in their jobs for only a short time.

Second, those who are in work tend to remain in their jobs for longer. These two factors mean average job duration tends to rise in recessions.

For men, the fall in the average length of a job has been greater since 1984 than the rise in the years before. It may be that part of this fall is due to the sort of longer-term changes in labour markets that have been discussed recently. But while there has been some change, the fall has not been substantial.

One explanation of the relative constancy of these averages might be that increases in the rate of job changes were cancelled or offset by changes in the proportion of young and old workers. But analysing the changes by age shows much the same pattern across age groups.

It may be that we are on the verge of a new world where jobs for most people do not last very long. However, there is little evidence of such change during the 1980s and early 1990s. The British labour market still offers "lifetime jobs" to a substantial fraction of its workforce.

Simon Burgess and Hedley Rees

The authors are in the Department of Economics at the University of Bristol; Simon Burgess is also a member of the Centre for Economic Performance

OBSERVER

Saucy ganders

■ What do John Major, Douglas Hurd, Michael Heseltine and Sir Edward Heath have in common? Why, all are committed to putting Britain at the heart of Europe, of course. How curious, then, that not one of the four saw fit to support the government when the Commons voted to give the European Union finance bill a third reading in the early hours of yesterday morning.

And what happens to members of parliament who defy the government in confidence votes? Well, last time, the eight Conservatives who defied the whips over the bill's second reading were suspended from the parliamentary party.

Quizzed as to why the four bigwigs did not vote yesterday, Downing Street swiftly pointed to the size of the government's majority – an admittedly hefty 272.

But one of last week's rebels, Michael Carttiss, MP for Great Yarmouth, was stripped of the whip after abstaining on a confidence vote the government won by 285 votes. Grounds for a choicely worded letter to the chief whip?

To the dogs

■ All right, so it is the wrong Morgan that is in "merger" talks with S.G. Warburg. While everyone was squinting stage left in the direction of J.P. Morgan, enter stage right the boys from Morgan Stanley. The latter had even helpfully sent up a smoke signal last month by taking another 850,000 square feet on the Isle of Dogs. Pity no one thought to ask the Americans how they intended to fill the pristine new space.

So, while a large number of Warburgers were yesterday wondering whose graphology test they should now be sitting, the more securely seated looked yet more anxious – at the dreadful possibility of having to operate from Canary Wharf.

Morgan Stanley president John Mack may wax lyrical to anyone who'll listen on the subject of his marvellous London premises – but he works in New York. At least the Corporation of London will be fighting the reluctant commuters' corner, though. Having probably lost BZW's dealing floor to Docklands, the Corporation will be mustard keen to keep Warburgs, or whatever it is called.

We presume

■ Well, what indeed should be the moniker attaching to this impending grand union? Image consultants get paid hundreds of thousands of dollars for this sort of thing, but here is Observer's first try, *gratis*.

The most obvious, Morgan Warburg, has to be ditched right away – too close to Deutsche Bank-owned Morgan Grenfell. Warburg would want a sharper distinction from its old rival – even if a degree of fellow feeling might be kindled between proud Brits forced to fall back on foreigners' superior resources.

Warburg Morgan or Warburg Morgan Stanley is a non-starter, seeing that the Americans will constitute two-thirds of the new company. Stanley Warburg, on the other hand, is worse – sounds like a long-lost relative of old Sir Siegmund's.

All of which suggests that the pair will wind up with the most obvious: Morgan Stanley Warburg. A bit of a mouthful, but not so dreadful in a business which has suffered handles such as Merrill Lynch Pierce Fenner & Smith.

'At least the champagne's still nice and chilled'.

Mini-barred

■ Whose were the long faces outside the manager's office of the Sheraton Hotel in Nigeria's capital, Abuja, yesterday? Following an order from high up the military regime, the hotel's management confronted 90 of the VIPs residing at the hotel courtesy of the government's coffers, double-locked their rooms and asked them to pay cash in advance or leave. They left.

The government is both the hotel's leading shareholder and by far its worst debtor. This year the state has run up a bill at the Sheraton of 240m naira ($11m at the official exchange rate), by retaining for its use 95 rooms and suites at an average cost of $50,000 a day. "The government departments footing the bill claim that most of these people were supposed to have left the hotel months ago," explains a civil servant. Anyway, who's counting, when the national debt runs to a tidy $30bn?

Meanwhile, the departing guests should have seen it coming; in a broadcast last month, on the anniversary of his coming to power, General Sani Abacha warned that all Nigerians must make sacrifices because the economy was in such poor shape.

Salt was rubbed into the wounds of the poor souls forced out: a few close presidential advisers are being allowed to remain and enjoy their customary state-funded plushness.

At least everyone now knows who is in and who is out – literally.

First and last

■ Whatever one thinks of the cogency of the arguments advanced by British Gas to support chief executive Cedric Brown's remuneration levels, the logic at work in the lower echelons of the utility is certainly less than perfect. Promoting a monthly direct debit system for settling the gas bill, the company writes to an FT reader proudly announcing that, "as a valued customer, we thought you should be among the first to know about an important new way to save money". Sadly, the impact, if any, was rather blunted by the accompanying sign-off: "Act now and join the other three million customers who already use this method..."

English disease

■ Buried in a commentary written by accountants Kingston Smith on this year's (first) Budget is a passage on new tax breaks for venture capitalists. Bit of a yawn? Kingston Smith obviously thinks so too, judging by the reference to a package designed to "re-enervate the British Entrepreneur".

FINANCIAL TIMES
Friday December 9 1994

Verdict casts shadow over proposed EU links

Bonn expresses concern at jailing of Kurd MPs

By Bruce Clark and agencies

Eight Kurdish members of the Turkish parliament were sentenced yesterday to jail terms of up to 15 years, in a verdict that will intensify concerns in western Europe about Ankara's human rights record.

European Union MPs at the trial were angered after the verdicts were read. Regret at the sentences was immediately expressed in Bonn by German foreign minister Klaus Kinkel. "The German government regrets that the court case ended in long jail terms. It assumes that the verdicts will be reviewed in the appeals process," Mr Kinkel said.

Charges of treason against the Kurdish MPs, which carry the death penalty, were dropped.

The defendants were accused of supporting the banned Kurdish Workers' party (PKK), a Marxist group which is fighting for a separate state in south-eastern Turkey.

Five of the defendants – including Ms Leyla Zana who denounced the "political and legal absurdities" of her trial in the Washington Post this week – were given 15-year jail terms.

They were accused of acting on orders from Abdullah Ocalan, the PKK leader, of visiting his headquarters, and of urging people to support the PKK.

Another defendant was given a 7½-year term for urging support for the PKK and for praising its cause. Two more parliamentarians were given 3½ years each for spreading separatist propaganda.

Mr Yusuf Alatas, a spokesman for the defence lawyers, said the parliamentarians would appeal. "We no longer have trust in Turkish justice," he said, adding: "This trial has not been a legal but a political case."

Diplomats said the verdict will cast a shadow over a meeting of EU ministers on December 19 at which a long-awaited Turkish-EU customs union will be discussed.

German parliament president Rita Süssmuth, a member of Chancellor Helmut Kohl's Christian Democrat party, said in Bonn that the decision would strain Ankara's ties with the European Union. "Today's tough sentences are, especially on the day before the EU summit in Essen, a highly questionable signal for future relations between Turkey and the European Union," she said.

In Germany yesterday, police conducted raids on 76 homes and offices which they said were aimed at cracking down on the PKK.

SEC chief warns on impact of California fund crisis

By Tony Jackson in New York and Graham Bowley in London

The financial crisis in Orange County, California, is "significant" for investors, Mr Arthur Levitt, chairman of the US Securities and Exchange Commission, said yesterday.

He also conceded that better disclosure might have brought it to light earlier.

Fears that the county may be forced to liquidate its $20bn fund portfolio have caused a sharp widening of credit spreads in the US domestic bond and eurodollar bond markets.

Orange County filed for bankruptcy on Tuesday evening after suffering a loss of $1.5bn from bond market dealings. This has fuelled speculation that it will be forced to sell much of its $7.5bn portfolio of bonds, resulting in a flood of bonds on to world markets and a fall in prices.

These fears sent the difference between yields on corporate and other bonds and those on US Treasury bonds appreciably wider.

The market was also unnerved by rumours that other funds may be concealing huge losses.

San Diego County, also in California, said it had paper losses of $357m on a fund worth $3.3bn, largely because of derivative holdings.

Mr Paul Boland, county treasurer, was quoted yesterday as dismissing comparisons with Orange County, saying his fund was not leveraged and had no liquidity problems.

Orange County's portfolio consists mainly of municipal and agency bonds – issued by bodies such as Fannie Mae, the Federal National Mortgage Association – and the spreads on these bonds were hit hardest.

The widening was initially more pronounced in the US domestic bond market but the nervousness extended to the eurobond market yesterday where spreads widened by about five to 10 basis points.

"There was a flight to quality and this put a great deal of pressure on spreads," said one bond trader in London.

Mr Levitt said the SEC had been monitoring Orange County before the financial crisis erupted last week, and was watching other unspecified investment pools across the country.

"I would hope the balanced, calm approach to Orange County on the part of all participants will continue," he said.

Orange County's board of supervisors said all 18,000 county workers and school employees would be paid wages due, despite the financial crisis. The board is to retain "one or more of the nation's top financial advisers" to help its investment advisory team.

THE LEX COLUMN

Merger merchants

S.G. Warburg is selling control of itself to Morgan Stanley without receiving a control premium. That would be a cynic's verdict on yesterday's announcement of merger talks which, if successful, will leave the US investment bank's shareholders owning two-thirds of the combined entity. It may be an unfair verdict, but Warburg will have to convince its shareholders that a merger advances their interests more than would a straight cash sale.

At present, Warburg's holding statement merely talks about the "uniquely complementary" nature of the two businesses. One way of reading this is that Warburg has finally reached the conclusion that, in trying to create an integrated global investment bank from its own resources, it has bitten off more than it can chew. October's profit warning rammed this home. Warburg is not merely under-capitalised compared with its larger US rivals; despite great effort and expense, it is weak in the all-important US market. Merging with Morgan Stanley will fill that hole.

Morgan Stanley, which lost its competitive edge in the late-1980s, has strategic weaknesses too. Adding Warburg's expertise in the UK and some other markets will potentially enable it to achieve global reach faster and more effectively than building the business organically. So there is some theoretical logic in the tie-up.

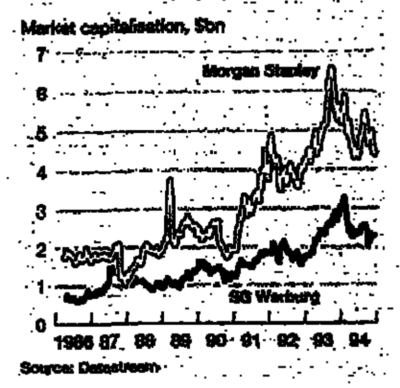
Whether a merger will pay off, in practice, is less clear. On the positive side, the combined group may be able to generate more advisory, capital-raising and fund management business by leveraging off its enhanced international reach. There should also be plenty of scope to cut costs; expensive staff could be made redundant and capital tied up in duplicate operations could be released.

But successfully merging these people businesses will be hard. In hundreds of cases, it will be necessary to decide whether a Warburg or a Morgan Stanley employee is in charge of a particular operation and whether, indeed, one of the two must lose his/her job. There will also be upward pressure on Warburg salaries; though its staff are paid more than most British bankers, they are paid less than their US counterparts. While all this is happening, some of the best staff may walk. There is also a risk that the banks will be so involved with such internal matters they may take their eye off the ball of winning business.

Still, if the merger succeeds, it will be a powerful force in global investment banking. The likes of Goldman Sachs and Merrill Lynch would then face a tougher competitor, but there will be a silver lining. The number of banks operating on a global scale will have shrunk by one. The industry could even settle down into a stable oligopoly, with large profits for all.

But smaller UK merchant banks and brokers are likely to feel naked. Banks such as Schroders and Rothschild may come under pressure to team up with brokers like Cazenove and Smith New Court to create integrated houses. Meanwhile, integrated groups such as Kleinwort Benson may well conclude they *too* need US partners. Such restructuring may lead to the control of famous names slipping out of British hands. But if it enhances the City's position as a global financial centre, that may be a price worth paying.

FT-SE Index: 3013.8 (+1.3)



Great Universal Stores

Like East Midlands Electricity, Great Universal Stores argues that a special dividend is the fairer way of repatriating surplus cash to shareholders – fairer, that is, than a Boots-style share buy-back. To some extent, this is true, as all GUS shareholders get the 30p-a-share dividend, whereas in practice the method by which Boots bought back its shares favoured institutional investors over private shareholders. But how fair the GUS move is depends on the investor's tax position. While those institutions which pay *no* tax will appreciate the dividend bonanza, private investors who are high rate tax-payers face a tax bill in addition to a paper loss on GUS shares. They fell yesterday by 35p, more than the 30p a share special payout. The near 7 per cent drop in the share price is not just a technical adjustment to a share going ex-dividend. It reflects disgruntlement over the size of the payout – £300m out of a cash pile five times as big – and the modest earnings dilution expected for 1995.

This criticism is fair enough but the share price reaction is overdone. By its own conservative standards GUS is becoming more adventurous. The enfranchisement of shareholders last year and now the special dividend show the group taking investors' interests more seriously than in the past. Moreover, the solidity of the underlying business, proven over decades, is once again underscored by the 11 per cent increase in operating profits in the first half. Looking out to 1995, the price fall yesterday has put the shares back on a market rating; they deserve to regain a premium.

Micro-budget

The chancellor's chosen method to compensate for the income lost through abandoning additional VAT on fuel was almost the least damaging available. The worst option would have been to take the money from contingency reserves; cutting next year's public expenditure was probably politically unviable, given the tightness of the spending negotiations; and increasing business taxes risked damaging the corporate sector's recovery.

Instead, raising duties on tobacco, alcohol and petrol has proved politically and economically seductive – politically, because it punishes the Conservative rebels for blocking VAT on fuel; economically, because the additional duty is inflation friendly: the duties will increase the retail price index by only 0.26 per cent compared with the 0.43 per cent the higher VAT on fuel would have produced.

The chancellor, however, did not select the best option economically. He could have raised the money without any inflationary impact if he had increased direct taxes, for example by not indexing allowances. This would have significantly boosted his chances of achieving the challenging target of keeping underlying inflation below 2.5 per cent during the second half of the parliament. Perhaps he is betting that brewers, tobacco groups and petrol companies will be forced by the acute competition in retailing to absorb the increases rather than pass them on to consumers.

Western German GDP spurt intensifies inflation fears

By Andrew Fisher in Frankfurt and Judy Dempsey in Bonn

Western German economic growth continued to accelerate in the third quarter, raising concern about renewed inflationary pressures next year and damping speculation about a further cut in interest rates.

The rise of 1.5 per cent (adjusted) in gross domestic product over the second quarter was more than expected, with one cause being a surprise improvement in private consumption.

The increase over the 1993 third quarter was 2.4 per cent after annual rises of 2.2 per cent in the first quarter and 2.3 per cent in the second, the federal statistics office said.

Mr Stephen King, economist at James Capel, the UK stockbroker, said growth should easily exceed 3 per cent next year.

"The policy implications of this [GDP] release are clear," he added. "There is no room for the Bundesbank to reduce interest rates further."

Instead, the central bank council, which left rates unchanged yesterday, should be looking seriously at higher rates in the first half of 1995.

Although some economists still favour one more cut in the discount and lombard rates (now at 4.5 per cent and 6 per cent respectively) before these move up again, support for anti-inflationary increases next year is hardening.

Reflecting the brighter economic picture, the jobless figures in western and eastern Germany showed distinct improvement last month.

For the first time since June 1991, the eastern total fell below 1m, cutting the jobless rate to 13 per cent from 13.3 per cent in October. The western rate was unchanged at 7.9 per cent.

To help underpin the economic upturn by improving incomes of the less well-off, the government announced plans to simplify the tax system and to raise the tax-free minimum income level.

Mr Theo Waigel, finance minister, said income tax levels for the less well-off would be reduced in order to strengthen economic growth and stimulate purchasing power.

Tax-free income levels will rise from DM5,600 ($3,550) a year to more than DM12,000 for a single person.

Tax levels above DM12,000 will also be reduced to simplify the fiscal system and to stimulate consumer spending.

Those earning DM13,000 will have their tax reduced by about 28 per cent of what they now pay; those earning DM20,000 will pay 26 per cent less; at DM50,000 they will pay 2.4 per cent less; and at DM122,364 1.8 per cent less.

The top rate will remain 53 per cent.

Mitsubishi

Continued from Page 1

that the *keiretsu* relationships, which extend across industries, have also acted as a strong deterrent to Japanese companies considering buying of foreign steel.

The steel industry, in particular, has always wielded strong influence within domestic business circles as the country's leading industry, making it doubly difficult for domestic steel users to break ranks.

Mitsubishi said that the main reason for its decision to buy Korean steel was the rise of the yen.

UK chancellor raises taxes

Continued from Page 1

the VAT defeat would now begin to heal. But the chancellor's colleagues were under no illusions that the increases in duties will be popular. With many Conservatives already under pressure from the brewing and off-licence industries over cheaper wine and beer imports from France, the rise in alcohol duties drew criticism from a number of Tory MPs.

There was also disquiet on the right of his party that Mr Clarke had confined cuts in public spending to the second and third years of the expenditure programme. Some cabinet members were said to have made clear that they would have preferred deeper cuts in spending totals.

But the chancellor was bluntly dismissive of criticism from sections on the right of his party. He told journalists: "I don't think the entire right is out to get me. One or two, I wouldn't be surprised. I feel the same about them."

With Labour claiming that the latest measures add another £29 a year to the tax bills of the average family, ministers are expecting a crushing defeat in next week's by-election, a local vote caused by the death in October of a Conservative MP.

FT WEATHER GUIDE

Europe today

The depression responsible for stormy conditions over the North Sea and the north-western Benelux on Thursday will move north to the east of Iceland while strengthening slightly. As a result, a south-westerly flow will bring rain to coastal Norway and north-west Scotland. A band of rain associated with this low will linger over eastern Scandinavia, Poland, the former Czechoslovakia, southern Germany, the Alps, the southern Benelux and most of France. North of this rainy zone in the northern Benelux, northern Germany and southern Scandinavia will be mainly dry with cloud, interspersed with sunny spells. Southern and south-eastern Europe will have sun and cloud, while southern and eastern Spain as well as Greece will be sunny.

Five-day forecast

South-western Europe will remain calm while a deepening low produces cloud and a few showers in south-east Europe. North-west Europe will remain unsettled with sunny spells interrupted by rain. Northern Scandinavia and Russia will be wintry. The rest of Europe will remain rather warm.

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum	Beijing	sun	7	Caracas	fair	29
		Celsius	Belfast	rain	8	Cardiff	cloudy	9
Abu Dhabi	sun	23	Belgrade	fair	9	Casablanca	sun	18
Accra	sun	31	Berlin	shower	8	Chicago	fair	2
Algiers	sun	20	Bermuda	fair	23	Cologne	rain	11
Amsterdam	shower	9	Bogota	cloudy	21	Dakar	sun	27
Athens	sun	16	Bombay	sun	32	Dallas	cloudy	10
Atlanta	fair	15	Brussels	rain	10	Delhi	hazy	24
B. Aires	fair	33	Budapest	fair	4	Dubai	sun	24
B.ham	cloudy	7	C.hagen	fair	6	Dublin	shower	9
Bangkok	fair	32	Cairo	sun	19	Dubrovnik	fair	15
Barcelona	fair	16	Cape Town	cloudy	21	Edinburgh	rain	8

Faro	sun	19	Madrid	sun	13	Rangoon	fair	29
Frankfurt	rain	10	Majorca	sun	19	Reykjavik	cloudy	1
Geneva	rain	12	Malta	fair	19	Rio	shower	28
Gibraltar	sun	19	Manchester	shower	8	Rome	fair	17
Glasgow	rain	8	Manila	cloudy	30	S. Frsco	fair	14
Hamburg	fair	6	Melbourne	fair	21	Seoul	fair	9
Helsinki	rain	0	Mexico City	sun	22	Singapore	shower	31
Hong Kong	cloudy	25	Miami	fair	27	Stockholm	fair	5
Honolulu	cloudy	28	Milan	shower	10	Strasbourg	rain	11
Istanbul	sun	11	Montreal	cloudy	-2	Sydney	fair	21
Jakarta	shower	31	Moscow	fair	-5	Tangier	sun	19
Jersey	rain	12	Munich	rain	10	Tel Aviv	sun	19
Karachi	sun	27	Nairobi	shower	24	Tokyo	rain	17
Kuwait	sun	15	Naples	fair	17	Toronto	sleet	1
L. Angeles	sun	24	Nassau	fair	28	Vancouver	rain	5
Las Palmas	sun	22	New York	fair	8	Venice	fair	10
Lima	fair	24	Nice	sun	16	Vienna	cloudy	8
Lisbon	fair	16	Nicosia	shower	18	Warsaw	rain	4
London	shower	9	Oslo	fair	3	Washington	fair	9
Lux.bourg	rain	9	Paris	rain	14	Wellington	fair	19
Lyon	rain	16	Perth	sun	35	Winnipeg	snow	-9
Madeira	sun	20	Prague	rain	8	Zurich	rain	10

Jobs: The need for paper qualifications is becoming less important in some areas of selection

Proving a point without formal certificates

How much should we insist on formal qualifications to do particular jobs? How much do they obscure objectivity in assessing people's ability to carry out work?

The Employment Service, a UK Civil Service agency which runs high street job centres, has gone some way towards answering these questions by dispensing with the need for paper qualifications such as GCSEs for most of its entrants.

It happened about three years ago when the service, anxious to attract a broader range of job candidate, including more ethnic minorities, older applicants and women returners, designed an application form that sought to identify people's particular job competencies.

We can define competencies – civil service psychologists call them widgets – as those skills, abilities or behavioural traits that differentiate levels of performance in a job.

Psychologists looked at the typical Employment Service roles and identified nine prime competencies most useful for doing the job. One of them, numeracy, in fact, was not identified as being so important, but the Treasury, which had a hand in sanctioning the exercise, insisted on that one.

The nine competencies included such qualities as getting on with people, oral communication skills, planning work with the right priorities, and managing change. "We found that educational qualifications weren't terribly good predictors of people's ability in these areas," said Roger Cross, a principal psychologist in the service who worked on the new entry requirements.

These were then incorporated into a new application form, notable principally for its omissions. Nowhere does it ask for educational qualifications. Instead it poses questions, based on the identified competencies. For example, in a sectioned designed to discover a candidate's ability to get on with people it says: "Executive officers have to be able to deal with people, relate to colleagues and the public, even in difficult circumstances. Please give an example of how you have had to deal with difficult or unco-operative people."

When confronted with the new application forms, candidates found them difficult at first, said Cross. "It was a cultural shock to people used to filling in forms based on qualifications and CVs to actually have to think about some of these things," he said.

The downturn in unemployment since the new system was introduced has meant that the service has had comparatively few new recruits in the past three years with which to form a clear picture of its effect on adverse impact.

While switching from qualifications to competencies may have reduced the adverse impact of other types of entrance requirement on certain groups, it is not thought to have led to a significant increase in ethnic minority recruitment. That may in part be because the service has not got the message through to potential candidates, but another problem is likely to be in the identified competencies which expect candidates to demonstrate good verbal and communications skills.

Validity tests, however, have shown favourable results in the quality of candidates. Competency-based recruitment and assessment is now becoming quite common in the Civil Service although most departments would take a more traditional approach to the possession of educational qualifications.

The Employment Service itself now uses competency-based recruitment in all of its high volume recruitment covering junior management and administrative grades, and some private employers are starting to use them in recruitment, usually, however, alongside requirements for paper qualifications.

● An addendum to the points on qualifications. I was told the other day about a City investment bank which was recruiting new traders. On the section of the application form seeking information about qualifications one candidate simply wrote: "I have been an unqualified success in every job I have undertaken." The employer recruited him and he went on to become one of its best traders.

● The table (left) is compiled from P-E International management consultancy's 1994 survey of executive salaries and benefits in the UK. It was carried out in July and covered nearly 9,000 executive grades ranging from chairman to junior manager employed by 662 companies.

The extract covers fringe benefits typically awarded in UK executive ranks. It's interesting to note, if you look at the figures, that the rule seems to be the higher people are paid, the more chance they seem to have of getting benefits. The complete report, which includes data on salaries and bonuses, costs £400 and can be obtained from Karen Gallagher at the consultancy's address, Park House, Wick Road, Egham, Surrey TW20 OHW, telephone 0784 434411, fax 0784 476369.

Richard Donkin

PERCENTAGE OF EXECUTIVES AT EACH PAY-LEVEL HAVING EACH OF THE FOLLOWING BENEFITS:

Salary band (£ a year)	Full use of company car %	Avge list price of car £	Free fuel %	Help with house-buying %	At least 6 weeks holiday %	Enhanced pension %	Free medical insurance %	Share-acquisition schemes: Exec. share option %	Save as you earn %	Profit sharing %	Telephone expense allowance %
20,000-25,000	51.2	12,815	26.6	4.4	3.1	4.7	51.0	5.3	19.1	17.6	19.7
25,000-30,000	72.7	13,526	35.1	5.1	3.4	4.8	54.6	8.8	21.3	13.9	23.7
30,000-35,000	84.2	15,101	46.1	6.5	4.4	9.4	62.0	13.0	29.0	15.1	25.7
35,000-40,000	90.7	16,270	51.5	4.6	7.4	16.1	64.8	20.2	34.8	13.5	30.0
40,000-45,000	90.0	17,641	59.7	4.8	12.1	26.7	64.0	31.1	41.6	15.9	37.1
45,000-50,000	92.8	19,032	60.9	5.4	16.9	34.2	66.5	37.6	45.6	19.3	41.6
50,000-60,000	94.3	19,801	67.6	9.4	16.1	41.1	69.5	47.0	51.0	19.6	40.9
60,000-70,000	95.0	21,513	69.2	8.2	14.7	52.5	70.6	50.7	50.7	22.5	42.7
70,000-80,000	93.3	23,490	72.0	12.9	16.5	48.4	68.0	55.1	47.1	22.7	36.9
80,000-90,000	94.9	26,360	79.0	10.9	16.8	60.1	68.1	62.3	52.9	33.3	43.5
90,000-100,000	93.9	27,823	77.6	8.2	23.2	54.1	65.3	62.2	44.9	34.7	48.0
100,000-120,000	92.4	27,631	74.5	11.5	23.7	60.5	67.5	61.8	52.2	29.3	38.2
Over 120,000	95.0	30,674	75.0	7.5	15.8	62.5	65.0	77.5	67.5	35.0	33.7
All ranks 1994	78.2	-	46.5	5.9	8.2	19.5	81.1	22.9	32.5	17.9	29.0
All ranks 1990	77.9	-	-	8.7	12.4	19.1	77.7	21.6	28.1	14.5	33.1

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

KEEPING WALES AT THE FOREFRONT OF INWARD INVESTMENT

Attractive remuneration and benefits packages

By any criteria, Wales has consistently been one of the leaders within Europe in attracting quality inward investment, currently boasting over 350 foreign owned manufacturing facilities already established. A principal reason for our continuing success has been the substantial efforts made in specific overseas areas and countries, with some of the most notable achievements from countries in the Asia Pacific region, particularly Japan. As a leading international Development Agency, we are keen to promote and develop our links by strengthening our international team with the following senior appointments.

Executive Vice President – Asia Pacific
Probably based in Singapore, your objective will be to focus on the fast growing Asian Pacific economies, excluding Japan, to identify and develop new opportunities for inward investment projects, and develop and expand an existing team. A successful track record of operating in the Asian Pacific marketplace will be essential. **Ref. EVP/AP/FT**

Executive Vice President – Japan
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For both of the above positions, candidates should be able to demonstrate a successful career in business development and possess particularly well-developed interpersonal skills as well as proven management abilities and a strong team orientation. Flexibility, tenacity, determination and adaptability are all equally vital personal qualities. An understanding of the countries and cultures involved in the Far East, together with a commitment to Wales and a knowledge of its issues are also essential.

If you have the range of skills, abilities and personality needed for either of these high profile roles, we would like to hear from you. Please write enclosing a comprehensive CV to: **Philip Guy, Human Resources Department, Welsh Development Agency, Pearl House, Greyfriars Road, Cardiff CF1 3XX. Tel (0222) 828604. Fax (0222) 644371.**
Closing date for applications is 31 December 1994.

WDA

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Interested candidates should forward a detailed CV, in confidence to: Anthony Cooke, Hoggett Bowers, 5 Bream's Buildings, Chancery Lane, London, EC4A 1DY, 071 430 9000, Fax: 071 405 5995, quoting Ref. HAC/6343/FT.

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Remuneration will be commensurate with your skills and experience. **Please reply with CV to Personnel Department, Tokai Bank Europe Limited, Mercury House, Triton Court, 14 Finsbury Square, London EC2A 1DR or fax to 071-628-6417.**

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WOLFSON COLLEGE OXFORD

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Wolfson College invites applications for the post of Bursar, which will become vacant at the end of September 1995. The Bursar is responsible for the management of the College's financial and business affairs, for its general administration including certain staff matters, and for overseeing major building and repair work. Catering, housekeeping and allocation of accommodation are administered separately by the Domestic Bursar.

The appointment will be full-time (with a retirement age of 65), with a salary on a scale whose maximum point is currently £32,788 p.a. The post will be associated with a Fellowship of the College, which would entitle the holder to certain other emoluments.

Further particulars of the post may be obtained from the President, Wolfson College, Oxford OX2 6UD (telephone 0865-274102) to whom applications should be sent by Tuesday, 31 January 1995.

Wolfson College is an Equal Opportunity Employer

Fairbairn International Ltd (soon to be known as the Old Mutual International Group) specialises in providing investment products to international investors worldwide. The Group has over US$35 billion of client assets under management, and is looking to increase this figure substantially over the next few years.

The Investments Division is responsible for managing a number of unit-linked offshore funds, and also provides investment marketing services to the Group. In addition, it is responsible for marketing the Group's investment expertise to institutions, mainly through the Old Mutual International range of unit trusts based in Dublin.

Senior Investment Manager

The Division is looking for an additional Fund Manager, to manage a number of offshore unit-linked funds, worth in excess of US$250 million. Reporting directly to the Investment Director, the primary responsibility will be to manage several global asset allocation funds (which are all 'fund of funds') as well as a number of individual portfolios for high net worth clients. It is also envisaged that you will be a member of our Investment Asset Allocation Committee.

The successful candidate will have an impressive track record in investment management combined with a comprehensive understanding of the global economic and market environment, a degree-level education, hold appropriate professional qualifications and be able to operate effectively in a team environment.

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The successful candidates will need to possess:

- A minimum of three years experience selling to Institutions, preferably with an established client base in one or more of the aforementioned locations.
- Excellent communication skills, and a thorough understanding of investment markets and the Unit Trust industry.
- An innovative and entrepreneurial approach to achieving success in a highly competitive market.

In addition, it is essential that candidates can demonstrate an exceptional degree of drive and self-motivation in a team environment.

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- Assisting the Group's distribution channels in acquiring new business and servicing existing clients.
- Communicating the Group's investment philosophy and strategy to clients.
- Developing marketing material used in presentations to clients.

The successful candidates should be educated to degree level (preferably in Economics or Finance), or possess relevant professional qualifications. Also, they should have a sound understanding of the world economy, investment markets and the life industry, possess excellent written and verbal communication/presentation skills combined with real marketing flair. In addition, they should be organised and able to work independently, be confident and be prepared to travel extensively.

These positions, based either in Guernsey or the UK, present an excellent opportunity for outstanding individuals to join one of the world's fastest growing and dynamic financial institutions at an early stage of an exciting and ambitious growth phase. Each position offers an attractive package including salary and usual company benefits. Please send full CV, stating current salary and relevant references, to:

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Mr K. D. Boscher, Investment Director, Fairbairn International Ltd, Fairbairn House, P.O. Box 121, Rohais, St. Peter Port, Guernsey, GY1 3HE, Channel Islands.

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Closing date: 21 December 1994.

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Requirements
The successful candidate will have a minimum of seven years international capital markets experience with a financial institution (commercial bank or securities firm), law or accounting firm and will be familiar with the transactions listed above. A sound knowledge of the Irish regulatory and fiscal environment for these type of activities would be an advantage. Fluency in Spanish or previous experience in Spain or Latin America would be helpful but is not essential.

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ACCOUNTANCY

Hard times give way to great expectations

Jim Kelly on why proposals in the Audit Agenda may restore the profession's credibility

The Audit Agenda, published yesterday by the Auditing Practices Board, provides a framework for reform which promises, in the eyes of the authors at least, to restore the reputation of auditors after the bruising corporate failures of the late 1980s and early 1990s.

Something of the expectations it will excite can be judged by the report's own definition of audit. The authors note that the word comes from the Latin for "hear": the auditor they envisage is the shareholder's sentry. "Audit is about governance," says the report: "It is about upholding integrity of financial reporting and business conduct, it is about seeking the truth."

This image of the auditor was wounded by company collapses which followed swiftly on from the signing of unqualified accounts. In response, the Auditing Practices Board was founded in 1991, and in 1992 the McFarlane Report was published – the "green paper" to yesterday's "white paper".

Other factors than perceived failure have crowded round the auditor in the last decade. Aggressive competition since the mid 1980s and the introduction of advertising have pressed down on fees and threatened quality. Firms have grown beyond the limits of the old threshold of 20 partners. The threat of facing legal actions for damages has led to caution and a reliance on the rule book to support audit opinion.

The Audit Agenda seeks to restore the role of personal judgment to the auditor and to alter corporate governance to support the auditor's objectivity. "Audit is about judgment which in the final analysis is personal: an expert view with personal accountability," says the report.

Many of the proposals in the Audit Agenda take up the ideas in the Cadbury Report on corporate governance. Indeed one of its authors has described it as an early instalment of Cadbury II – the promised development of the original report which is due to get under way next year.

It is worth looking briefly at the main proposals.

- Audits at listed companies would be more extensive than those at owner-managed companies. The scope of the statutory audit would stay the same, but these extended duties will be backed up by standards which have the power of law.
- The extended audit duties would be covered by contracts limiting liability.
- Auditors would have to make sure that the text sections of accounts, such as the chairman's report, match the accounts they have audited.
- The audit would be signed by a partner. At present the accounts carry only the name of the firm from which the auditor comes. The authors of the report think this will emphasise personal responsibility.
- The audit partner should not have overall control of non-audit services for the company.
- Audit committees would have responsibility for appointing the auditors and setting their fees.
- The chairman of the audit committee would report on the auditor to the AGM – possibly in writing and orally.
- Separate reports would be made to the board and the audit committee by the auditor on standards of governance – and to the shareholders on whether the so-called Cadbury Code is being followed properly.
- Auditors would comment on internal audit controls.
- The board would order periodic forensic audits in which teams of specialists look for fraud.
- The penalties for deceiving auditors would be toughened up and staff would face penalties as well. At present, they cannot be punished for misleading an auditor.
- The professional bodies would teach auditors about fraud.
- APB and the Accounting Standards Board would work on how to assure secondary and tertiary stakeholders in the company. While the primary duty is to the shareholders, as confirmed by the Caparo test case, other stakeholders should be able to rely on assurances given by auditors. The authors suggest that some groups, such as employees, should be able to contract the auditors to provide assurance.

These proposals contain several fundamental ideas. Principally, the report identifies the role of the auditor as being different in quality to other services offered to a company. It is often forgotten "that the audit service is different in that the auditor's opinion is of benefit to the users of financial information and confidence in the capital markets, as well as for the benefit of the company itself".

Proposals in the report to ensure the audit partner is not in control of trying to market other services to the company he audits will help dispel the widespread mistrust of the practice of selling management consultancy services, or information technology advice, to audit customers. The report makes it clear that the auditor must be *seen* not to face a conflict of interest.

The proposal to limit liability for the extended audit on listed companies will excite those looking for a way forward in the current morass over litigation. UK auditors face increasing claims against them and the Big Six firms are still lobbying the government to change the law and allow them to limit their liability in such cases.

The campaign on limiting liability has run into the sand in the short term. The report's suggestion holds the promise of allowing audit services beyond those on the statute book to be limited in liability through contract. If this is successful, and becomes an established practice, would not the campaign to limit liability *completely* be that much more attractive to the government?

The Audit Agenda also recognises for the first time in the UK the different audit needs of large listed companies and smaller owner-managed ones. The APB is to work on special guidance for smaller companies on audit. This work will mirror the current debate on how Generally Accepted Accounting Standards (GAAP) should differ between large and small companies. Whatever the outcome, the owners of non-listed businesses will be looking for a decrease in the burdens of compliance.

The training of auditors forms a strong thread throughout the report. The authors are keen for the profession to be seen to discuss fraud openly – no longer protected by the curious argument that examining fraudulent methods in public provides criminals with the means to commit new crimes. Behavioural and forensic training is seen as vital along with regular seminars on how to spot fraud and fraudsters. One of the authors even sees the chance of producing a list of tell-tale signs of fraud to help the less experienced.

The role of the audit committee is pivotal in the proposals. The authors see its members as the direct representatives of the shareholders who are, after all, the ones to whom the auditor has a responsibility to report. The enhanced role envisaged for the audit committee adds to the power of the non-executive directors who sit on it and who must, in future, take responsibility for monitoring the auditor.

The APB may well have come of age with the publication of the Audit Agenda. It has prepared the ground well before publication and it has left behind the contentious ideas thrown up by the earlier McFarlane Report. The proposals look practical and the strong emphasis on the public interest may well serve the profession well in the battles ahead on self-regulation.

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Please reply in confidence quoting Ref: L573 to:

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■ **Interested applicants should write outlining their suitability to the position enclosing a detailed curriculum vitae with salary details and quoting reference SKS98 to Suzanna Karoly, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.**

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The Person

A primary factor is your experience of western accounting principles, this will ideally have been gained over a minumum of two years in a western company or working environment. Secondary to this is previous exposure to financial analysis, budgeting and the planning process. Strong financial management experience is as important as a recognised western qualification, especially if combined with an ability to speak either Lithuanian, Latvian or Czech. Applications are therefore equally welcome from Nationals of those countries or individuals with a genuine interest in the region. The organisation offers a structured career path for the right person in what is a rapidly expanding market.

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SENIOR FINANCE EXECUTIVE

LONDON — c£32k + CAR + BENEFITS

Our client, a profitable £225m turnover quoted Plc, is a market leader for the manufacture and supply of food products and is actively seeking opportunities for further development. Rapid growth both by organic expansion and acquisition has resulted in the need for a high calibre, technically strong finance professional to operate at the Group Head Office.

Reporting to the Finance Director, this role carries overall responsibility for managing the Group's balance sheet.

Key responsibilities include:

- overseeing and strengthening operational controls and security over Group assets, liabilities and treasury matters
- managing the Group's tax affairs in conjunction with external advisors
- undertaking ad hoc projects including acquisition and restructuring proposals.

The successful candidate will be a qualified accountant, probably aged up to 32, with at least 4 years' post-qualified commercial experience in part gained in a head office environment within a substantial company. In addition, you will be a good communicator, with the self-motivation and energy to effect real change and capable of a flexible, committed approach. This is a high profile position with clear career prospects.

Interested applicants should forward a full CV to Nicola Skentelbery at Robert Walters Associates; 25 Bedford Street, London, WC2E 9HP. Tel: 0171 379 3333 Fax: 0171 915 8714.

ROBERT WALTERS ASSOCIATES

UK Finance Manager

c. £40,000

Car Allowance + Benefits

Dow Jones Telerate is a wholly-owned subsidiary of Dow Jones & Co. Inc. and a world leader in providing on-line financial information.

We seek a UK Finance Manager to work at a senior level in our Finance Department. Supported by an experienced and professional team, you will take responsibility for interpretation of the monthly management accounts and all budgeting matters relating to the UK/Ireland operating division.

This high profile role involves working closely with the UK/Ireland Manager as well as the managers of the operating department, therefore to succeed your interpersonal skills will be first class.

You will need to have at least five years post qualifying experience, ideally in the financial services industry, be able to demonstrate a record of achievement as well as being proactive.

To fulfil the demands made by our fast moving environment, you will be a practical hands-on manager who shows drive, professionalism and extreme commitment.

To apply please send your CV to Kate Jenkins, Human Resources Executive, Dow Jones Telerate, Winchmore House, 12-15 Fetter Lane, London EC4A 1BR.
(No agencies please). Closing date: 23rd December 1994.

"This company is committed to equal opportunities and applications are welcomed from anyone irrespective of colour, ethnic origin, disability sex or marital status."

Dow Jones Telerate

APPOINTMENTS ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skarzynski on +44 71 873 4054

Philip Wrigley on +44 71 873 3351

Joanne Gerrard on 071 873 4153

TREASURY SYSTEMS CONSULTANT

Substantial Package to £70,000

Platinum Treasury Systems is expanding its European operation and we now wish to recruit an experienced person for our pre- and post-sales support centre in London. The integrated Corporate Treasury system is used to monitor, manage and account for operational financial market risks and exposures, together with physical and derivative financial instruments. Our team needs an experienced professional with systems knowledge to manage post-sales support initially, moving within six months to pre-sales consultancy. We are seeking a graduate who has worked in Corporate Treasury for several years, can demonstrate an expert's understanding of financial market instruments and holds a related financial qualification such as membership of the ACT of ICA. This challenging and rewarding role will involve extensive travel throughout Europe and will commence with a period in Australia.

PLATINUM

If you feel that you can match our requirements post of fax your CV to:

Arthur Diggle at CFM - Platinum Treasury Systems, 20 - 22 Curtain Road, London EC2A 3NQ

A Financial Role with a Difference

North West — **c£33,000 + Car + Benefits + Relocation**

Our clients are a world wide manufacturing group with two hundred subsidiaries. They are recognised as leaders in their particular sector and have a global reputation for excellence in materials technology. Due to internal promotion they currently have an unusual opportunity for a commercially astute accountant to "step off the treadmill" for around three years before also moving with them into general or senior financial management.

THE ROLE

■ Their Finance Task Force is composed of high calibre individuals from a variety of backgrounds and experiences. It exists solely to maximise overall profitability by the identification and advancement of commercial opportunities.

■ Working as part of this small but high profile team you will be responsible for a diverse spectrum of business issues both internationally and throughout the U.K. This will include a high degree of analysis, decision making and the practical solutions of business problems.

■ You will develop relationships with managers at all levels throughout the group and act as an agent of change in influencing important business decisions.

THE INDIVIDUAL

■ A fully qualified accountant (probably in the age range 30 - 35) with strong interpersonal and problem solving skills.

■ Demonstrable exposure to and involvement in commercial decision making in a manufacturing environment with a sound understanding of the design and limitations of product costing and production planning systems.

■ The ability to take decisions and to clarify to non financial managers why a particular course of action should be taken.

■ A total interest in the commercial aspects of a business coupled with a flexible approach to international travel.

Career opportunities are genuinely excellent. The Task Force is clearly established as a development base for future senior management. If you have the will, ambition and personal energy to make your mark in a fast moving and dynamic environment then we want to meet you. If your profile matches our client's requirements you should forward your curriculum vitae with complete confidence to:- Peter Downes Associates, Brookside Cottage, Red Lumb, Norden, Rochdale, OL12 7TX (Tel: 0706 32443) marking your envelope TII 45.

Peter Downes Associates

APPOINTMENTS WANTED

Indian National

(MBA/FCCA/ACMA)

With European FMCG experience seeks to work with European/American company or consulting firm setting-up/expanding operations in India.

Write: Box A5022, Financial Times, One Southwark Bridge, London SE1 9HL.

مصور من الاصل

Group Chief Accountant

c £65,000 + car + benefits

This client is a major Media Services Group with broadly based international interests which are controlled from a small, strong corporate centre based in Central London.

The Group Chief Accountant's role is widely cast. Whilst being responsible for Group financial and management reporting and being the pivot for technical issues and standards there is also a requirement for high quality financial analysis and review for top level adhoc assignments which may arise on any topic in any part of the world, and an input to treasury and international financing issues. The exposure in the role is very high, both at Main Board level at the Centre and with the Finance Directors/CFO's in the large business units. This at times will involve international travel.

Applicants must be Graduate Chartered Accountants with a high grade 1st degree and a partnership standard fast track career in a big 6 firm, who intend to leave or alternatively are already in a responsible position in commerce. Strong technical ability; leadership/management skills; a full set of gears; and the confidence and communication skills to work convincingly under pressure at the top are essentials. Career prospects and additional medium term benefits are in line with a multinational plc. Age guideline early-mid 30's.

Please reply in confidence quoting Ref L574 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

Mason & Nurse
Selection and Search

FINANCE CONTROLLER

Central London
c.£30k + Car
+ Benefits

A Successful travel company turning over £30 million plus in tour operating, corporate and retail travel seeks a flexible self starter for this new position leading a team of 7 staff handling the day to day accounting function and playing an active part in the middle management of the company.

You are a qualified accountant (preferably CA or CMA), early 30's with hands on approach, tour operating experience and proven computer expertise in both the accounting area and wider issues of travel computerisation.

Applications in writing with full cv and current salary details to

Box No. A5012,
Financial Times,
One Southwark Bridge,
London SE1 9HL.

Financial Controller

Blue-Chip Manufacturing Group

West Country — To £55,000

Do you have an eye to the future and realise that more involvement in general business management is necessary to advance your career? Would you relish the opportunity to join a world-renowned manufacturing group whose award-winning levels of excellence and commitment to its customers is unsurpassed?

Success within this Manufacturing Plant requires your proven ability to focus their commercial business strategy, working as a key member of the senior management team, controlling working capital and providing detailed analysis of business units to enhance performance and profitability.

An ambitious and energetic qualified Accountant with proven achievements within a manufacturing/commercial environment, you possess the interpersonal skills and the managerial qualities necessary to allow you to develop your supporting team to the full and thrive in this challenging business role.

Rewards are excellent and include a competitive salary plus bonus, car and executive benefits. To apply, please write with full CV stating salary to Patrick Hill or Richard Morgan of Aston Zoraster Limited, Westminster House, 58 London Street, Reading, RG1 4SQ. Telephone 0734 566123.

Aston Zoraster
INTERNATIONAL SEARCH & SELECTION

Finance Director

Midlands based   Competitive package

Outstanding career opportunity for a high calibre, management accounting professional.

Our client is a market leading business in the manufacture of construction products with operations in the UK and Europe. With turnover of circa £100m, the operation is an autonomous business unit which forms part of a publicly quoted company with operations in Europe and the USA.

Recent restructuring has created a need for an experienced Finance Director to take up a demanding and business orientated role within the management team. Reporting to the Managing Director, and with a functional responsibility to the plc Finance Director, you will have full responsibility for the financial and management accounting, IT and purchasing functions within the business and provide the full range of financial services to operational management.

In addition, the changing nature of this fast moving business, which operates in a highly competitive market, ensures that a variety of commercial projects will need to be undertaken.

The successful candidate will be a graduate, qualified accountant with at least 5 years post qualification experience ideally gained in a multi-site, manufacturing business. You should have the personal charisma and strong interpersonal skills necessary to make a significant contribution to a lean and operationally focused management team.

Interested candidates should send a comprehensive CV, quoting reference 54PJ to Karan Paige, KPMG Management Consulting, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone (0272) 464000.

KPMG Selection & Search

OPERATIONAL CONTROLLER

GENERALE DES EAUX GROUP

UK Head Office

London

c£45,000 + discretionary bonus + car

This is a high potential role in one of Europe's largest and most diverse businesses. Generale des Eaux has a worldwide turnover of some £16bn and more than 50 subsidiaries in the UK. By concentrating on a range of dynamic growth sectors the Group has ensured an enviable recent profit record, particularly so through its energetic investment in the UK water industry.

The appointment of an Operational Controller for the £140m UK Water Division has arisen out of this continuing growth. Supporting the Divisional Director, the successful candidate will ensure operational control over the four main subsidiaries and several other investments, with a view to enhancing their business performance. The key features of this new role will include financial analysis, operational reporting, strategic planning, investment review, capital expenditure appraisal, competitor analyses and the development of group policies.

We are seeking a qualified accountant (ACA/CIMA) or financial MBA, probably aged 30-35, with a good first degree and a genuine understanding of engineering or construction. Candidates should have a progressive record of achievement at group or divisional level in a capital intensive business. Commercial acumen, an enquiring mind and natural authority are essential personal qualities. French language skills would be a distinct advantage.

Success in this high profile appointment will open the door to a wide range of more senior career opportunities within the group.

Please write with full career and salary details, quoting ref 51588, to Paul Carvosso, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL INTERNATIONAL
EXECUTIVE RECRUITMENT CONSULTANTS

LONDON 0171 487 5000 — BIRMINGHAM 0121 454 8864 — GLASGOW 0141 248 7700 — LEEDS 0113 245 4757 — MANCHESTER 0161 835 1772

Financial Director Designate

Devon   To £40k + benefits

Our client is a successful manufacturing organisation which produces high value products, primarily for UK and European markets. A market leader and a recipient of the Queens Award for Export, the company now seeks an experienced management accountant who will work closely with the executive team in developing the organisation's potential to become a world leader in its field.

Reporting to the Managing Director, the successful candidate will support the achievement of this corporate goal by the provision of sound financial advice to the Board. Key tasks will include implementation of management information systems to provide pertinent and tailored management reports, development of costing systems and assistance with the implementation of a MRPII infrastructure. In addition, you will be responsible for the day to day running of the finance function and act as an interface between the company and its professional advisors.

The ideal candidate will be a graduate calibre, qualified accountant (ACMA preferred), with a minimum of five years post qualification experience gained in an assembly type manufacturing environment. Previous experience of MRPII and MIS implementation is essential, as are strong interpersonal skills. In addition, you should be of a highly commercial orientation and an energetic and tenacious team player, capable of making a major contribution to the future success of the organisation.

Interested candidates should send a comprehensive CV, including current remuneration details, quoting reference 53PI to Karan Paige, KPMG Management Consulting, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone (0272) 464000.

KPMG Selection & Search

GROUP FINANCE DIRECTOR

North West — FINANCIAL SERVICES — c £60,000 package

Exceptional opportunity for a talented finance professional to join this expansive and highly respected North West based financial services group. As a key member of the group's executive team the successful candidate will be expected to make a vital contribution to the continuing profitable development of the business.

THE ROLE

Lead, motivate and develop staff within the finance function to meet the increasingly demanding and sophisticated requirements of a rapidly evolving business operating in a tightly regulated environment. Drive the development and implementation of enhanced financial planning and forecasting systems to facilitate rapid decision making and provide a solid platform for future growth. Ensure strong cash management and optimum utilisation of working capital. Manage relationships with external advisors and debt providers. Contribute proactively across all areas of business activity.

THE QUALIFICATIONS

Qualified accountant of graduate intellect, probably aged 35-45. Progressive career track record gained ideally in sophisticated service sector environments. Highly developed awareness of systems applications and their contribution to enhanced profitability. Commercial acumen, maturity and credibility to earn respect at group board level. Shrewd and diplomatic manager of change.

The remuneration package is negotiable and will not be an obstacle for the right candidate. Please reply to Robinson Keane, Denzell House, Dunham Road, Bowdon, Cheshire WA14 4QE enclosing a full curriculum vitae and quoting Reference RK 1095. Telephone 0161 929 9105.

Robinson Keane
SEARCH & SELECTION

FINANCE DIRECTOR
– PROFESSIONAL PRACTICE

c £50,000 + Excellent Benefits & Relocation Assistance

WARSAW

Price Waterhouse has an enviable reputation in providing auditing and business advisory services, with an established presence in eight countries in Eastern Europe.

Price Waterhouse, Warsaw is one of the firm's key regional offices with in excess of 200 staff. There is now a need for a dynamic and commercially aware Polish speaking Finance Director to contribute to the continuing success of its Polish operation.

Reporting to both the local Finance Partner and the Eastern European services group based in London, you will take full responsibility for the control of the finance function, ensuring the timely production of management and statutory accounts for the Warsaw practice. As an essential member of the management team, you will also be expected to manage and develop the business ensuring a strong reliable structure is put in place for the future.

You will possess the following attributes:

- An accountancy qualification with at least 5 years' experience gained in a decision making environment
- The ability to manage change and lead effectively
- The drive and ambition to introduce new financial management disciplines in a multi-cultural business environment through a demanding phase of development
- Proficiency in Polish
- A proven track record in international financial management

Interested candidates should contact Jacqueline Long or John Bowman, advising consultants at FSS Europe on (44) 71-209-1000, (evenings and weekends on (44) 71-371-5647) for a confidential discussion, or write to them at FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY.

FSS EUROPE

Australia • Belgium • Czech Republic • Denmark • Finland • France • Germany • Hong Kong • Ireland • Italy • Japan • Luxembourg • Malaysia • Netherlands • New Zealand • Norway • Singapore • Spain • Sweden • United Kingdom • United States

FINANCE DIRECTOR

for a young, acquisitive plc

c. £50,000 + car and benefits / South Manchester

This plc, operating in niche markets in the manufacturing sector, is small but rapidly growing and has an impressive recent profitability and earnings per share record, together with zero gearing. Its core business alone will not sustain the board's ambitious growth plans and hence an acquisition path is being considered which may take them into new markets.

The time is now ripe for the appointment of a young and highly commercial finance professional to join the group board to take full responsibility for group financial matters and to work closely with the Group Managing Director on acquisitions.

Ideally aged 35 to 45, candidates will be graduate accountants with extensive experience in all aspects of financial management in a manufacturing environment, including systems design and implementation and due diligence investigation. Ideally too, you will have had a number of years experience of working within a plc. Business acumen will be combined with attention to detail to give you a well-balanced style of working. With leadership skills, you will be seeking the next challenge in your career development and prepared to be judged on results.

To apply, please send cv indicating current salary and quoting reference: 7025/BB/FT, to Brett Bull, PA Consulting Group, Fountain Court, 68 Fountain Street, Manchester M2 2FE, Tel: 061 236 4531.

London (071) 730 9000 Birmingham (021) 454 5791 Bristol (0272) 294581

PA Consulting Group

Manchester (061) 236 4531 Edinburgh (031) 225 4481 Glasgow (041) 221 3954

FINANCE DIRECTOR: PORTALS LIMITED

HAMPSHIRE C.£55,000 + BONUS POTENTIAL + CAR + BENEFITS

The Portals Group is a successful UK company with a turnover of £200 million comprising two divisions, *Security & Specialist Papermaking* and *Protection & Control.*

Portals Limited is the largest operating company in the Papermaking Division and, indeed, in the Portals Group. The company is the world's principal manufacturer of watermarked banknote paper, supplying over 120 countries and around half the available market. Market leadership is maintained by continuous investment in manufacturing, process and product development and sales support services.

The company is now seeking a Finance Director who will be responsible for all aspects of financial management including budgeting, reporting and control, and also treasury activities. He/she will also play a leading role in strategic planning, organic and external growth proposals and profit improvement projects. Refining management information systems so that they support the commercial and operational direction of the business will be a particular priority. The position also carries responsibility for the company's IT activities.

Candidates will be aged 30-40 and graduates with a recognised professional accounting qualification. They will be able to demonstrate clear achievements in the accounting function of a substantial manufacturing company. They will be computer literate with sound systems knowledge. They will be strong leaders yet good team players with communication skills that enable them to put over their ideas in a practical and supportive way. Above all, as the company enters a further phase of growth and development, they will be innovative, energetic and committed. Success in this position will bring the opportunity for progression in the Division or the Group.

Interested candidates should write with a full CV and present remuneration to:
Bill Green, Group Personnel Executive, Portals Group plc, Mill House, Laverstoke, Hants, RG28 7NR.

PORTALS GROUP PLC

FT/LES ECHOS

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world. For information on rates and further details please telephone:

Philip Wrigley on +44 71 873 3351

Group Accountant

c£30,000 + car

W. Midlands

This Group is a substantial West Midlands quoted plc, strongly financed and successful, with manufacturing and distribution interests which have been developed organically and by acquisition in the UK, Continental Europe, USA and the Far East.

They wish to appoint a chartered accountant, probably aged mid to late 20's, to take responsibility for co-ordination and preparation of Group statutory accounts, Group monthly results, Group budgets and medium-term planning; interpretation and analysis for the main board; the further development and upgrading of systems, which are PC-based; and post-audit review of major capital expenditure and acquisitions. The Group headquarters is small in numbers, leading to high visibility and the need to accept personal responsibility.

Applicants should be chartered accountants with exposure to group accounting and international consolidations for a medium to large plc gained either via audit experience with one of the Big 6 or from a post-qualification industrial role. Experience of PC spreadsheet applications is desirable. The Group has a positive management development programme which will lead to a line management role. Mobility and a strong interest in career development are therefore major priorities.

Please apply in confidence quoting ref: L575 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

Mason & Nurse
Selection and Search

RETAIL FINANCIAL SERVICES
OUR VISION – YOUR OPPORTUNITY

London, EC4 **Highly Competitive Packages**

The expansion of Touche Ross' regulatory consulting practice in the London Audit division provides exceptional opportunities for those with ambition, initiative and relevant experience. The firm is pre-eminent in insurance and investment management consulting world-wide and has developed a centre of excellence to serve UK regulatory requirements. The rapid growth of these services presents real career opportunities for two key individuals:

Regulatory Champion to support our marketing drive in the life assurance sector, implement a strategic and focused response to industry issues, develop key contacts and build his/her own team with relevant specialist skills.

Client Service Manager to provide a proactive service through new product development, analysis of key market issues and provision of high quality commentary and advice on predicted changes in the law and regulatory practice.

To succeed in these roles you will need a good knowledge of life assurance, have experience of PIA/LAUTRO regulations and be able to demonstrate considerable technical competence. Strong oral and written skills are a pre-requisite. As Regulatory Champion, your business development skills and leadership qualities are of prime importance but you must already have established your credibility within the life assurance market. As Client Service Manager you must be a qualified accountant with several years' relevant post-qualification experience.

If you feel you can meet the demands of either role, please send an up-to-date résumé, including current remuneration details and daytime telephone number, quoting reference 3434 to Sue Atkinson, Touche Ross Selection and Search, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Touche Ross
Deloitte Touche Tohmatsu International

CHARTERED ACCOUNTANTS AND MANAGEMENT CONSULTANTS

Financial Controller
with systems experience

London W1 **£Neg & Car**

Our client is a successful conglomerate with significant commercial and industrial business interests across a diverse range of sectors and covering three continents.

Having consolidated its presence in the property and shipping sectors, the UK company now looks to expand its portfolio. Central to their plans is the appointment of a commercial Financial Controller to take control of the financial and accounting function. In addition, the development and implementation of IT systems to ensure the timely and accurate production of financial, operational and general management information is important.

You will be a qualified accountant, with proven systems experience, preferably in a Unix environment. Your financial and IT systems knowledge are of equal importance and will complement your ability to demonstrate a high degree of initiative and self motivation.

In the first instance send your CV to Sandra Aldridge or Chris Denington at Grant Thornton, International House, 7 High Street, Ealing, London W5 5DB. Alternatively, call them on 0181-566 5900.

Grant Thornton
MANAGEMENT CONSULTANTS
The UK member firm of Grant Thornton International

Price Waterhouse
EXECUTIVE SEARCH & SELECTION

Group Finance Director

c.£60,000 + benefits + share options London

About us:
We are an enterprising manufacturer and merchandiser of specialist consumer and health related products with a growing share of a fragmented European market. Our corporate culture is vibrant and this Group is definitely going places. Following a re-structuring we are cash rich with a strong balance sheet, and are very keen to make acquisitions.

The role includes:
Reporting directly to the CEO; controlling the financial resources and keeping a finger on the financial pulse of the Group; establishing and implementing effective financial planning; issuing appropriate reports to the Board; participating significantly in the acquisition process and subsequently integrating new companies into the Group.

Your experience:
As a prerequisite, you will have worked in a multinational setting, ideally with both operational and group experience. You are used to international, perhaps matrix management reporting structures and have been heavily involved in general management issues. You have gained your experience in manufacturing and marketing organisations, probably with mass-merchandised products. Furthermore, you will ideally have experience of restructuring, acquisitions and dealing with the City. If you speak French and another European language, all the better.

Your style:
You are professional, smart, articulate, diplomatic – but not afraid to express your opinion – and straightforward. You like working with exciting and successful people and are stimulated by exposure to an international setting.

Your next step:
Write with a full CV and covering letter, quoting reference H/1515 and telling our advisor Hamish Davidson why you wish to take this matter forward.
Executive Search & Selection,
Price Waterhouse, No 1 London Bridge,
London SE1 9QL. Fax: 0171 403 5265.

BUSINESS DEVELOPMENT IN THE HEALTHCARE SECTOR

London

c£45,000 + car

Our client is a major French group with a worldwide turnover of more than £16 billion. In the UK, its varied businesses already generate over £1.2 billion and it is actively seeking to develop existing or new areas of business opportunity within the healthcare sector.

As part of the UK operation's growth strategy, we are seeking a young, exceptional individual with around five years' experience of business analysis, acquisitions and corporate investment, to join a small business development team. The role will be varied, combining ongoing research and analysis activities with independent day-to-day responsibility for business development projects, from inception through to negotiation of contracts. This will involve frequent high level contact with key managers in the UK business as well as those in the French parent and the company's professional advisers.

The successful candidate will be a graduate, probably aged 30-35, with a professional accounting qualification and/or MBA. Fluent French is essential. A high level of energy and commitment combined with sound commercial judgement are further prerequisites.

This is a rare opportunity to join a rapidly developing group of businesses offering wide-ranging career opportunities both internationally and in the UK.

Please write with full career and salary details, quoting ref: 51582, to Paul Carvosso, MSL International Limited, 32 Aybrook Street, London W1M 3JL.

MSL INTERNATIONAL

EXECUTIVE RECRUITMENT CONSULTANTS

LONDON	BIRMINGHAM	GLASGOW	LEEDS	MANCHESTER
0171 487 5000	0121 454 8864	0141 248 7700	0113 245 4757	0161 835 1772

FINANCE DIRECTOR/DEPUTY MANAGING DIRECTOR

MANAGEMENT BUY OUT - FOOD INDUSTRY

North West **c £45,000 package + Equity**

Exceptional opportunity for a talented finance professional to join this highly innovative fast growing £6m t/o food manufacturer. Working closely with the Managing Director the successful applicant will be expected to make a vital contribution to the future development of the business, in line with its ambitious three year plan.

THE ROLE

Lead a small finance team to ensure accurate, timely financial reporting. Provide broadly based financial, commercial and operational management support for the Managing Director. Optimise utilisation of working capital ensuring the company operates within banking covenants. Manage relationships with institutional investors and debt providers. Provide "hands on" "can do" leadership across all areas of the business.

THE QUALIFICATIONS

Qualified accountant, probably aged 30-40. Successful track record in financial management gained within a manufacturing environment. Proven expertise in implementation of fully integrated financial/manufacturing control systems. Demonstrable capability to make a broad based commercial contribution within a small company environment. Credibility and maturity to take overall responsibility in the absence of the Managing Director. Totally committed team player with "shirt sleeves" approach.

Interested applicants should send a full curriculum vitae, to be received no later than Friday 9th December, to Robinson Keane, Denzell House, Dunham Road, Bowdon, Cheshire WA14 4QE quoting Reference RK 1093. Telephone 0161 929 9105.

Robinson Keane
SEARCH & SELECTION

Financial Controller

Greater London

c£35,000 + 2 litre car + benefits

Our client is a highly successful, privately owned company that has established an unbeatable reputation for state-of-the-art technology and the highest standards of customer service. Prospects for continued, profitable growth in this fast moving and very dynamic environment, are quite simply, superb.

Reporting to, and working closely with the Financial Director, *the successful candidate will play* the key role in specifying and running financial reporting systems which are at the heart of the business. Your approach will be proactive and your objectives will focus on the provision of accurate, timely information, its analysis and input into management decisions.

Responsibilities will encompass all aspects of Financial Control with particular emphasis on:

- design and implementation of a new, computerised reporting system
- monitoring of financial performance
- preparation of monthly management and statutory accounts
- interpretation and analysis of these accounts
- provision of informed advice to managers
- close involvement in all business issues, especially advice on productivity enhancement.

Candidates aged 28-35, should be qualified Accountants with broadly based financial, administrative and management reporting experience gained in an equally progressive, commercial organisation. Proven success in developing and implementing computerised accounting systems is also essential.

In the first instance please write with comprehensive CV, including full remuneration details and quoting reference 546/FT to: Morris Hoare & Associates, Bridge House, Severn Bridge, Bewdley, Worcestershire, DY12 1AB. Tel: 0299 401800.

MORRIS HOARE & ASSOCIATES

EXECUTIVE SEARCH AND SELECTION

مكرر من الاصل

Group Finance Director

Resurgent Plc

Northern England — **c. £90,000 package**

Our client is a nationally recognised, Stock Exchange listed provider of services to a wide ranging customer base. With a turnover approaching £100m, the group comprises a number of business units throughout the UK and in the USA serving niche markets.

The group has ambitious expansion plans both in the UK and overseas. This opportunity represents a very challenging role for a high quality Finance Director to join a new management team.

The Group Finance Director will be expected to strengthen all reporting systems and controls, taking full responsibility for all finance and treasury functions. This is a high profile role and will involve participation in the company's investor relations programme. The chosen candidate will be expected to take immediate control of the finance function.

Candidates should be graduate qualified accountants and already be a finance director in a professionally run, blue-chip organisation with overseas interests. They must be highly motivated individuals able to present financial information in a clear and cogent manner, participate fully in the management process at Board level and be capable of inspiring confidence.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 94382N on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820

A GKR Group Company

Controller – Performance Reporting and Analysis

Retail Financial Services

Surrey — **£55,000 + Bonus**

Our client is one of the UK's major financial services groups, distributing a range of market-leading products via a multi-channel network. Excellent results and new products have led to new appointments, including an opportunity for a Controller in the Sales and Marketing Division.

Key tasks for this role will be to:

- enhance performance measurement, expense control and the provision of business statistics through sophisticated financial modelling;
- monitor the effectiveness of existing and new business channels through concise and timely financial analysis;
- develop existing management information into a coherent and integrated reporting programme.

Candidates for this outstanding career opportunity should be graduate, 'big 6' trained chartered accountants. They will have achieved senior management status in the profession and/or progressed to a finance role in retail financial services, or in a major consumer-focused business. Likely to be aged in their 30s, candidates must have outstanding interpersonal skills, commercial acumen and the ability to implement their proposals.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 94381N on both letter and envelope, and including details of current remuneration.

GKRS

SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 071 287 2820

A GKR Group Company

Business Planning/ Corporate Finance

Home Counties — **c £45,000 + Car**

Our client is a substantial international Group which is quoted on the London Stock Exchange. Turnover in excess of £300m and high levels of profit are generated from a worldwide network of manufacturing, sales and service operations. The Group has significant plans for future expansion, both on an organic and acquisitive basis.

The Group Finance Director wishes to recruit an outstanding individual, whose remit will be to provide high quality support to the Group's strategic planning and business development activities. Typical responsibilities will include the financial and commercial analysis of existing businesses, co-ordination and review of the business planning process, appraisal of potential acquisitions/investments and assisting in the acquisition/integration process.

Candidates, aged 27-32, should be profit orientated professionals with the ability to influence commercial decisions at the highest level in a fast-moving, international business. Suitable applicants must have in-depth financial planning/corporate finance experience, gained either in a large commercial concern or within a 'Big 6' accountancy practice.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref 209736, to Alan Dickinson FCMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.

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Highly motivated candidates with good business sense should forward a comprehensive Curriculum Vitae quoting reference EJ11096 to Emmanuel Jalenques at Michael Page International, 92594 Levallois-Perret Cedex, Paris, France. Telephone 331 47572424, Fax: 331 47573918.

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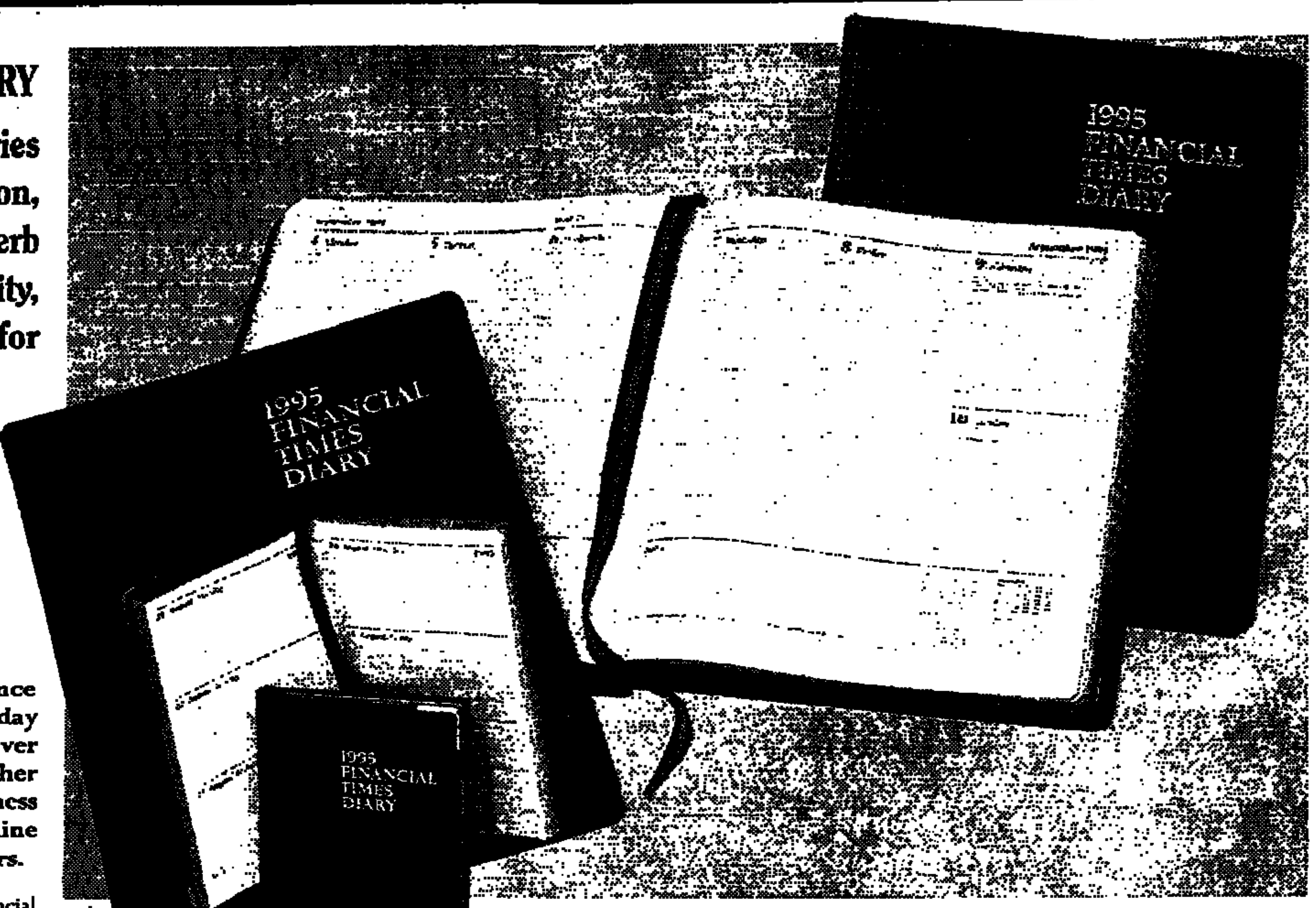

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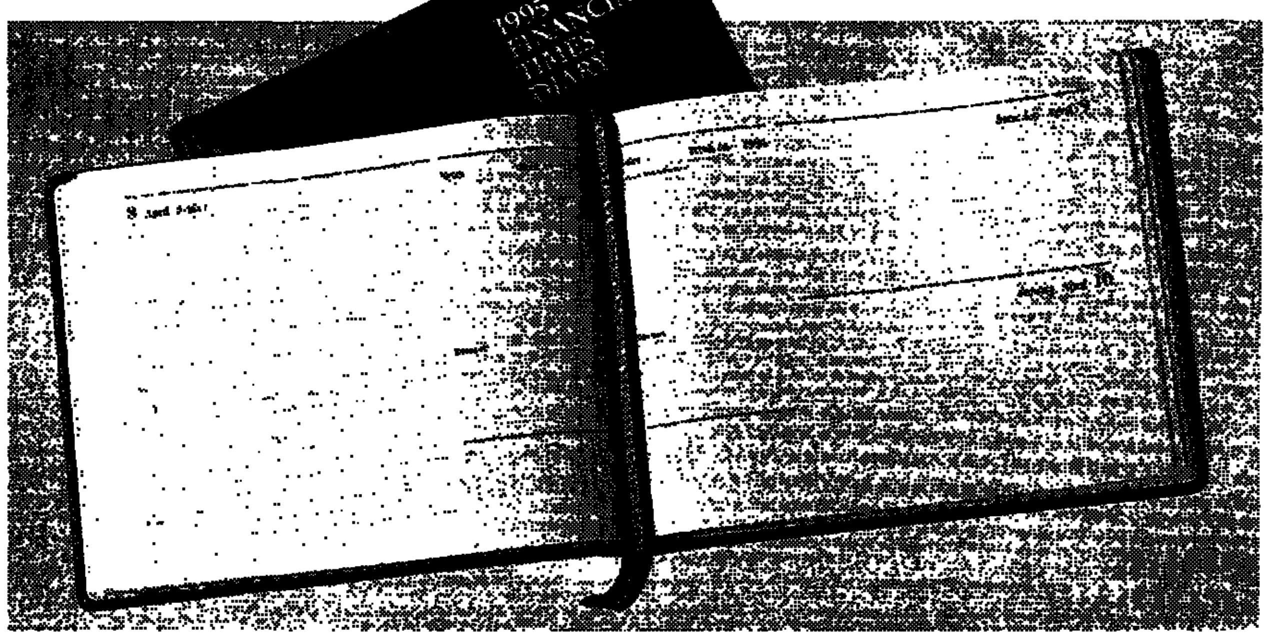

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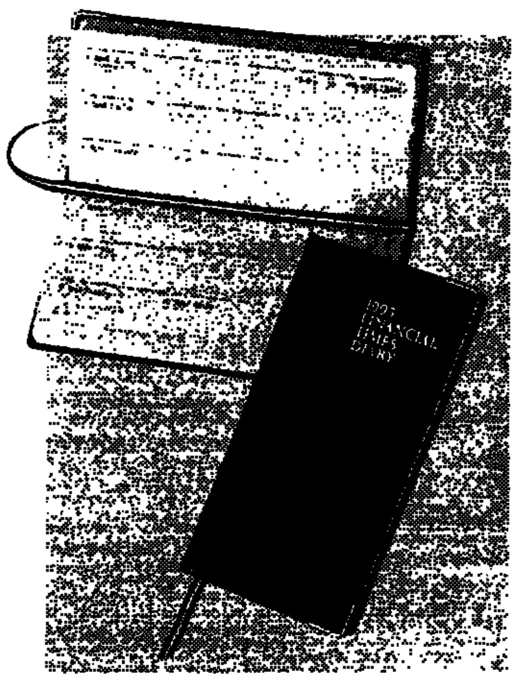

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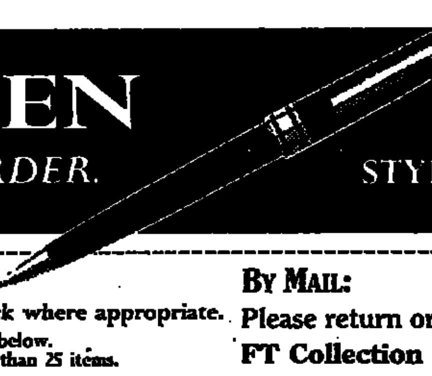

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday December 9 1994

IN BRIEF

GrandMet sells US canning plants

Grand Metropolitan, the UK food and drinks group, is to sell its US vegetable canning plants to streamline the operations of its Green Giant brand. A similar move on the frozen food side of Green Giant, one of the leading US brands, has already helped it to increase its market share. The deal will entail a £42m ($65.7m) charge in the current year, only a week after GrandMet announced in its year-end results that it had identified all such restructuring charges for the "foreseeable future". Page 17

US airline stocks fall after profit warnings
US airline stocks took a hammering yesterday when Continental Airlines and Southwest Airlines, two of the biggest US carriers, warned their fourth-quarter results would be badly hit by fare wars in the US market. Page 26

Slow Swatch alarms investors
A decade of phenomenal growth appears to be over for the Swatch, the cheap and cheerful plastic watch made by SMS, the dominant Swiss watch-making group. Page 17

Hypo-Bank holds fall to 6%
Hypo-Bank has announced 10-month operating profits 6.5 per cent lower at DM807m ($514m). The results compare favourably with those of other leading German banks, which have suffered steep declines in profits. Page 17

Dylex under pressure to restructure board
Dylex, one of Canada's biggest fashion retailers, is under pressure from a group of US investors to accept new corporate governance rules, including a shake-up of its board. Page 18

Restructure helps James Hardie rise
James Hardie, the Australian building materials group reported improved profits for the six months to September, at A$37.1m (US$30.2m) after tax. Page 19

Racal admits it will miss target
Shares in Racal Electronics fell 6 per cent after the UK company admitted that profit margins in its data communications division were likely to be 4 per cent rather than "well over 5 per cent" as it had forecast in June. Page 22

Acquisitions help Compass advance
Compass, the UK catering and healthcare group, lifted profits by a third and turnover by 85 per cent. *The advance was helped by two recent acquisitions:* Scandinavian Service Partner, the European caterer, and Canteen Corporation, the third largest US caterer. Page 22

Pricing rules hit Scottish Hydro-Electric
Interim earnings fell at Scottish Hydro-Electric, the northern Scotland power generator and distributor, because of regulatory price changes and the cost of government debt redemptions. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AG Ind Verk	476	+	9
Altana	619	+	11
Falls			
Asko Prf	615	−	35
BW & Berg	775	−	44
Douglas Hld	410	−	15
Holzmann	837	−	22

NEW YORK ($)			
Rises			
Apache	25¾	+	¼
Caesars Wld	42⅞	+	1
Falls			
Contl Air	6⅝	−	3¼
Delta Air	47⅛	−	1⅛
Sth West Air	16⅜	−	3⅝
UAL	87⅞	−	4⅛

PARIS (FFr)			
Rises			
BIC	685	+	22
Unibail	487.2	+	11.2
Falls			
AGF	232.9	−	4.6
Dcks France	887	−	16
Euro RSCG	560	−	10
Total B	319.8	−	10.5

TOKYO (Yen)			
Rises			
Orient Corp	820	+	12
Tosi	737	+	15
Falls			
Central Fin	420	−	10
Dai Nip Tor	393	−	14
IHI	436	−	12
Nippon Road	976	−	23

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
BOC	732	+	11
Brit Land	370	+	12
Hewitt Grp	158	+	60
Jupiter Tyndall	388	+	15
London Int	85	+	5
Mercury Asset	853	+	39
Schroders	1460	+	40
Smith New Court	395	+	23
Thorn EMI	1012½	+	15½
Tompkins	23¼	+	3
Warburg (SG)	791	+	119
Wellcome	690	+	15
Falls			
Auto Security	60	−	9
Barratt Devt	159	−	5
Brit Aerospace	426	−	7
Chesterfield	418	−	27
Eve Grp	283	−	17
Fine Arts	376	−	44
GUS	486	−	35
Neotronics	51	−	4
Racal	203	−	13
TBI	90	−	5
Waste Mngmnt	483	−	30

Allianz aims to lighten its shares

By Andrew Fisher and Ralph Atkins in Munich

Allianz, Germany's biggest insurance group, wants to make its costly shares more attractive to small investors by cutting their nominal value and thus splitting them into smaller units, according to Mr Henning Schulte-Noelle, the chairman.

His statement, in an interview with the Financial Times, comes in the same week that Dresdner Bank became the first big German concern to announce firm plans to reduce the nominal value of its stock units from DM50 to DM5. This is allowed under new legislation to promote the attractiveness and efficiency of German financial markets.

"If we can make sure that trading in our shares is made easier, then of course we are interested in this whole development," Mr Schulte-Noelle said. However, because of technical procedures over the handling of its shares (registered under individual names rather than in more easily processed bearer form) and the costs of moving to lower-denominated shares, he said this may take two years.

With a closing price yesterday of DM2,466 ($1,655), Allianz's shares are among the most expensive in Germany. Dresdner's were DM408.50 and those of Deutsche Bank, also considering such a move, were DM729. Munich Re, the reinsurance company, said it was looking at DM5 nominal shares. Yesterday its shares stood at DM2,825.

Mr Schulte-Noelle said smaller denominated shares could play a role in encouraging German investors to invest more in equities. "For small investors, it makes a difference whether they have to pay around DM2,500 for one Allianz share or DM250." Allianz shares are among the most heavily traded on the Frankfurt stock exchange.

Many big foreign investors see them as a proxy for the whole German market because Allianz has extensive stakes in companies and banks as part of its investment portfolio, earnings on which offset losses on insurance underwriting. Thus Mr Schulte-Noelle expressed strong concern over political moves in Bonn to restrict industrial holdings of banks and maybe other financial institutions.

"This is a debate we follow very, very carefully because it could possibly affect us in various ways." If shareholdings were limited to, say 5 per cent, "this would have a great effect on our industrial investments." Companies in which Allianz has minority stakes above 10 per cent include BASF, Bayerische Hypo-Bank, Dresdner Bank, BHF-Bank, Munich Re, Veba and RWE.

In turn, 60 per cent of its equity is owned by Munich Re (with 25 per cent), Deutsche Bank, Bayerische Vereinsbank and Dresdner Bank with 10 per cent each, and Hypo-Bank with 5 per cent. Mr Schulte-Noelle said action to curb financial stakes in industry would put a "tremendous burden" on the stock market. "It would drive prices down and that cannot be in the interests of the government."

He also opposed moves to limit further the number of seats anyone may hold on a company's supervisory board. "We are big investors and if we own maybe 10 per cent of a big company, we have a definite interest in sitting on the supervisory board to see what's happening."

Finanzplatz Frankfurt, Page 12

CS Holding proposes single class of shares

By Ian Rodger in Zurich

CS Holding, the financial services group built around Credit Suisse, has proposed creating a single-class share structure, converting its bearer shares into registered shares and eliminating all voting restrictions. The move follows the controversial unification plan adopted at Union Bank of Switzerland last month. But the form of the CS proposal is embarrassing and potentially damaging for UBS because it provides for the registered shareholders to vote separately on the removal of their extra voting power.

The UBS plan is now being contested in the courts partly because the bank did not allow its registered shareholders to vote separately. The bank's directors claimed there was no legal requirement for such a separate vote even though several precedents exist.

The UBS registered shares trade at a substantial effective premium to the bearer shares because the governance of the bank is being contested. But the bank offered no compensation for the loss of that premium. Thus, it was highly likely that a meeting of registered shareholders would have rejected the plan.

In the CS case, the registered shares trade at a very slight effective discount to the bearer shares so there is unlikely to be any resistance to the conversion.

The proposal calls for the bearers, which have a par value of SFr100, to be split five for one and then exchanged one for one for the SFr20 nominal registered shares. The registered shares closed at SFr105 yesterday, the bearers at SFr528.

The CS plan, to be put forward at the annual general meeting in May, also differs from UBS in keeping the registered share. "A registered approach will enable easier and direct communication between CS Holding and its shareholders and be consistent with the principle that a modern corporation should know its shareholders."

UBS said it chose bearer shares as it would have taken too long to locate shareholders and effect the registrations.

Russia's largest oil company hopes make $3bn-$7bn by floating up to 15% of its shares

Lukoil unveils plans to attract foreign capital

By Robert Corzine and Chrystia Freeland in London

Lukoil, Russia's largest oil company and one of its most commercially-oriented organisations, yesterday unveiled its strategy to attract $3bn-$7bn in foreign investment over the next few years.

Mr Vagit Alekperov, Lukoil president, said he hoped the flotation of as much as 15 per cent of Lukoil shares to foreign investors would be completed in 1996.

Mr Alekperov made his comments in London, where senior Lukoil officials met financial institutions and other potential investors yesterday. Earlier this week Russian executives made a similar presentation to US investors in New York.

Some foreign investors already hold stakes in Lukoil, including a 3.5 per cent stake by Credit Suisse First Boston. But the company admitted that substantial work on valuing the company's assets and presenting the information in a recognised format needs to be done before it can expand its foreign ownership.

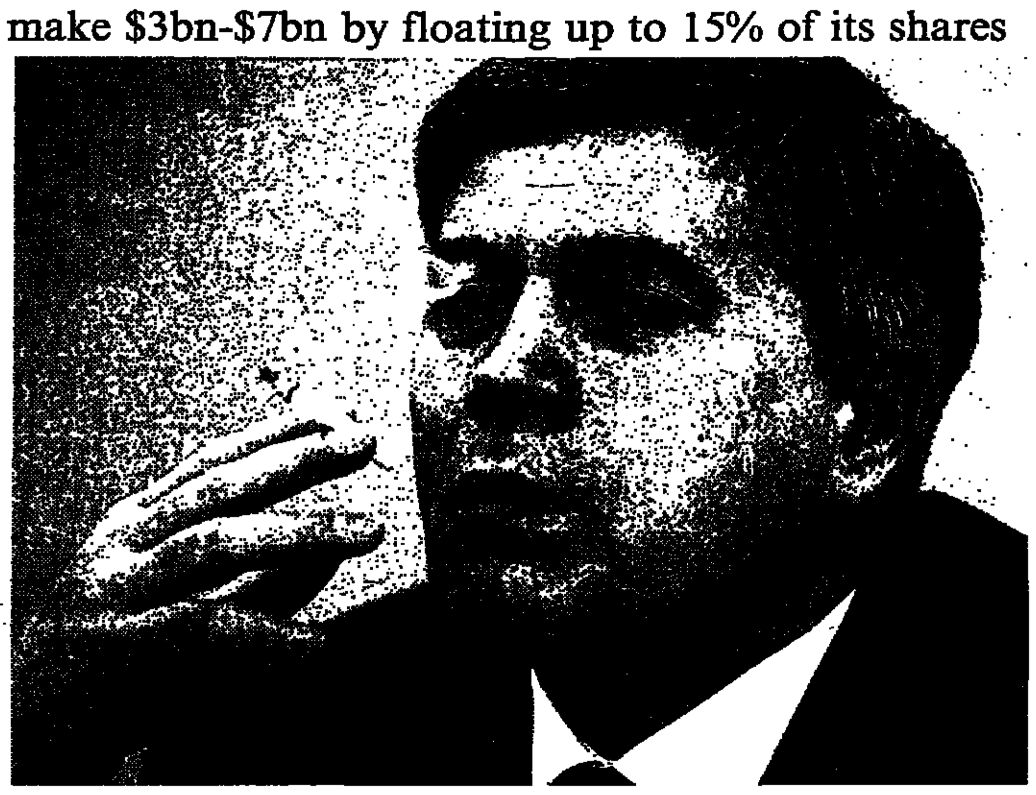
KPMG, the international accounting firm, and McKinsey, the consulting group, are advising the Lukoil. A number of western banks have also approached the company seeking to take part in the tender offer. The company has not, however, chosen an international market on which to list its shares.

Mr Alekperov said Lukoil, whose fields in western Siberia produce a sixth of Russia's oil, intends to enhance its attractiveness during the next year through internal restructuring and further acquisitions.

The company will take full control of its major producing subsidiaries in 1995. It also plans to acquire at least five additional companies.

Lukoil has begun to transfer some of its social responsibilities, such as housing, to local governments in the areas in which it operates. It also wants eventually to shed some of its extensive ancillary services, from running railways to transport oil.

"If we can get better services more cheaply, then we will divest immediately," Mr Alekperov said.



Tony Andrews

Looking to the future: Vagit Alekperov, president, intends to enhance Lukoil's attractiveness

Lukoil's long-term strategic goal was to become a fully private company, he said. But the Russian government, with which Lukoil has close links, still has a 45 per cent shareholding.

"Our first priority is to broaden our sphere of activity in Russia," he said. But Mr Alekperov, who is from Azerbaijan, said participation in oil development projects in the Caspian Sea region was another priority.

Lukoil has a 10 per cent share in a British Petroleum-led consortium to develop three offshore fields in Azerbaijan. Mr Alekperov said Lukoil also wanted to take part in major oil developments in all the other countries bordering the Caspian.

He said Lukoil was keen to work with western companies on specific projects, but it would not welcome western oil companies taking equity stakes in the company. "We are looking for institutional investors", he said.

Mr Alekperov was confident that a new oil and gas law about production sharing contracts and joint ventures would be passed by the Russian parliament.

Finland's Kymmene cancels $300m global equity issue

By Hugh Carnegy in Stockholm

Kymmene, Finland's second largest forestry group, yesterday unexpectedly called off plans to raise more than FM1.5bn ($300m) in a domestic and overseas share issue aimed at reducing debt and strengthening the group's balance sheet.

The group said the issue of up to 15m shares, originally announced on November 7, had been oversubscribed, but did not reach a price level acceptable to Kymmene. It blamed the "sensitive situation" on US stock markets and the threat of strikes later this month in the Finnish forestry sector.

It was the second time this year that Kymmene had pulled back from a significant strategic move. In June, it pulled out of merger talks with United Paper Mills, the forestry unit of fellow Finnish company Repola, also in a disagreement over pricing. At the time of the subsequent share issue launch, Mr Harri Piehl, Kymmene's chief executive, said the offer was a "very significant" step to strengthen the group's balance sheet and "provide a firm financial base for our growth".

Finnish analysts said they feared the withdrawal could undermine goodwill towards Kymmene among foreign investors, who were offered up to 12.9m shares. But Mr Piehl said yesterday Kymmene was not prepared to offer a discount on its share price which has traded recently in a range between FM122 and FM128. The share price returned to the upper end of that range yesterday following the announcement of the issue withdrawal after dropping sharply on Wednesday. Mr Piehl declined to specify the price offered by potential investors.

Mr Piehl acknowledged that backing out of the issue meant Kymmene would incur "a certain amount of opportunity loss" in terms of its ability to mount acquisitions or make other new investments. Nor would it reach so quickly the 40 per cent equity to assets ratio it has set as a minimum target.

But he insisted that cash flow and earnings prospects were sufficiently strong to ensure Kymmene would be able to reach that target during the present upturn in the forestry industry – expected to peak around 1997.

He said Kymmene believed its strong earnings flow anticipated over the cycle had justified its determination not to concede a discount. He said the company would be able to achieve its present strategic development plans and pay down its debt (its gearing stands at 210 per cent) without the share issue.

Kymmene reported a FM545m pre-tax profit in the first eight months of the year compared with a restated loss of FM337m in the same period in 1993, on sales of FM12.11bn. It forecasts full-year earnings of FM1bn.

SGS-Thomson opens at premium

By Andrew Hill in Milan

SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, yesterday launched an initial public offer of 21m shares in the Paris and New York stock markets, which could eventually raise more than $470m for expansion.

The shares began trading in Paris yesterday at a slight premium to the French offer price of FFr119.95. In New York, the price was set at $22.25 per share, the upper end of a $21-$23 range set when plans for the offer were announced last month.

The sale of some 16.3 per cent of the company's enlarged capital marks SGS-Thomson's first move away from state control since its formation in 1987 from a merger between Thomson Semiconductors of France and SGS Microelectronics of Italy.

Since then, the company has grown to challenge the world's top 10 semiconductor manufacturers. In October, the group reported net profits for the six months to the end of July of $166.1m, more than for the whole of the previous financial year.

Some 18.6 per cent of the company could be sold in the offer, if underwriters exercise their right to issue a further 3.15m shares which is is expected to close next Thursday.

The Franco-Italian holding company which owns 95.49 per cent of the company will reduce its stake to about 80 per cent, while Thorn EMI of the UK, will hold 2.8 per cent.

The holding company is itself 50 per cent owned by French state companies France Télécom, CEA-Industrie and Thomson-CSF, and 50 per cent by Italian shareholders such as IRI the state holding company.

Morgan Stanley is acting as global coordinator of the issue with and Banque Indosuez and Lehman Brothers as co-global coordinators.

Background, Page 19; Wall Street lifted by IPOs, Page 18

S.G. Warburg and Morgan Stanley

Richard Waters, John Gapper and Norma Cohen on the background to the investment banking industry's biggest leap yet

Consummation could spark further marriages

The birth of the international investment banking industry has moved in fits and starts in the past 15 years. Many initiatives have proved disastrous – the abortive moves by US commercial banks like Citicorp and Chase into the London stockmarket in the mid-1980s, for instance.

But with the proposed combination of Morgan Stanley and SG Warburg, the industry would take its biggest leap yet. A consummation of the deal could also spark other mergers and acquisitions among other investment and commercial banks, according to industry executives and analysts.

The growth of international investment and cross-border takeovers – and a general belief that, given the heavy costs involved, there is only room for a small number of banks with global reach – lies behind the move.

The logic in combining a US and a European bank has been apparent for some time and has led to some serious discussions

"There are likely to be only a handful of banks dominating international capital flows," says Mr William Hartman, until recently a New York-based investment banking analyst with JP Morgan. "They want to get a headstart on the rest of the world."

The logic in combining a US and a European bank has been apparent for some time, and has led to some serious discussions in recent years. UBS is understood to have discussed a takeover of Lehman Brothers, but backed off partly out of a concern about the culture clash that would result from absorbing a pushy US investment bank.

Barclays revealed recently that is looking to expand its presence in the US, either through an association or by takeover. Warburg's name has frequently been linked in takeover rumours with JP Morgan, the US bank which was forced to part with Morgan Stanley by the 1933 Glass Steagall Act.

There are some obvious reasons why Morgan Stanley and Warburg might consider that the timing for such a deal is finally right.

First, international capital flows – and in particular overseas investment from the US – has picked up fast in the past two years. Wall Street's so-called "bulge bracket" firms, long used to making their profits in the US markets, have found that the trading technology and skills developed in the US can be exported profitably to other markets. Morgan Stanley is estimated to be making around 60 per cent of its profits overseas.

Second, recent poor results at Warburg have highlighted a strategic dilemma that the bank has faced for some time. Though generally acknowledged as the leading home-grown investment bank in the UK, it has lacked the capital base and the trading skills – particularly in the bond and derivatives markets – to compete internationally with its bigger US rivals.

The US banks, meanwhile, have invested a large slice of what until this year were strong domestic profits in building their international presence. This has resulted in a massive build-up of resources by US banks in London in recent years: Morgan Stanley, for instance, employs nearly 2,000 people in Europe's financial centre.

Lord Cairns, Warburgs chief executive (left) and Dick Fisher chairman of Morgan Stanley

The third explanation for the timing resides in Morgan Stanley's own financial position. In common with its main rivals, the bank's capital base expanded fast in the early 1990s on the back of record profits. Putting that capital to productive use has become something of a challenge.

At the end of last year, Morgan Stanley's shareholders funds stood at $4.5bn, half as much again as two years before. With weak financial markets, it has been hard to earn a good return on this bigger capital base – though at around 10 per cent, the bank's post-tax return on equity still puts it ahead of most competitors this year. Only Merrill, at over 15 per cent, has done better.

A big investment overseas would provide Morgan Stanley with a bigger presence in more overseas markets.

By contrast, the relative weakness of Warburg's capital base and revenue stream has been seen by analysts as one of the factors preventing it competing with US firms. Warburg had shareholders funds of just over £1bn at September 30. Although this is enough to run existing businesses, it meant it would have had difficulty expanding by acquisition.

"This was inevitable," said a partner at one of Warburg's US-based competitors. "They were trying to build an international investment bank without an international bank's revenue base." For all the success of its UK and European equities business, Warburg found it hard to generate sufficient volume in what is still a highly fragmented European market to match the US banks.

"This says that Warburg believes its strategy is not ever going to succeed," said the chief executive of one UK-based investment bank which has also pursued an integrated approach, albeit on a more modest scale. "They had no hope of ever overtaking the Americans in their own backyard," he said, noting that without a significant sales and trading presence in the US, it is impossible to be a global bank.

But the merger also represents some reversal of strategy by Morgan Stanley. Both firms have invested substantial amounts in each other's markets in recent years. Warburg, for instance, has built up a 300-strong US equity business in New York in the past two years, and bought a Chicago-based derivatives company.

There is even bigger overlaps in operations in London. Although Morgan Stanley has a far bigger presence in the non-sterling fixed income markets than Warburg, many of the two bank's activities overlap. Referring to London, one person close to the deal says: "It's obvious where the biggest redundancies are going to be."

However powerful the logic to the deal, there remain many questions about how effective it would prove in practice. The most prominent: how would the bank be run, and how easily would the two banks' cultures combine?

There are considerable challenges both in bringing together businesses with different cultures and pay scales. "It will be a hell of a force if they can pull it off, but the first year or two will be spent sorting out all the places where they are doubled up, and that will divert quite some energy," said one chief executive of a UK investment bank.

Given their respective sizes, it seems inevitable that the new group would be dominated by Morgan Stanley. According to one executive close to the deal, the objective is to integrate the two banks' businesses, rather than to run them as separate geographic entities.

This echoes the trend among other investment banks to organise their global operations around business lines, such as equities or bonds, rather than around geographic regions. But it would also tend to leave the leave the bigger shareholder in firm control.

Given their respective sizes, it seems inevitable that the new group would be dominated by Morgan Stanley

"This is not a takeover of Warburg by Morgan Stanley," says the executive. Some of the enlarged bank's operations may end up being run from outside the US – the head of Morgan Stanley's equity business is based in London already, and the bank's board occasionally meets outside the US. But such arrangements will not disguise where the true power in a merged firm lies.

■ **THE RIVALS REACT:** By David Wighton and Norma Cohen

Caught in the blast of Big Bang's second barrel

Some of Warburg's London-based rivals were putting on a brave face yesterday. But most admitted privately that a merger would pose a powerful new competitive threat to them and could precipitate a fundamental restructuring of investment banking in London.

Eight years after London's Big Bang, some of the changes predicted then may be about to happen.

"The second barrel of Big Bang is being pulled. There are many more deals to come," said one senior merchant banker.

Mr Peter Meinertzhagen, chairman of stockbrokers Hoare Govett, said: "Although it does not change the landscape completely, it points to a period of more consolidation in London."

Analysts said the merger proposal might prompt other banks which have looked at Warburg in the past to improve on Stanley's terms or, more likely, to look elsewhere in London.

"The merger throws down a gauntlet to other international investment banking groups. The likes of HSBC, Deutsche Bank and Dresdner are keen to expand in London but there are not many properties to go round," said one analyst.

Deutsche recently announced plans to centralise all its investment banking operation in London and most observers argue that the Warburg merger will if anything strengthen London's position as a financial centre.

In competitive terms, the deal would appear to threaten other London banks which have pursued the same integrated strategy as Warburg, offering a full range of trading services, as well as fee-based advice to their clients.

"Firms like Kleinwort Benson will now look even smaller in global terms. The merged company will be a more formidable competitor for the international issue work, where Kleinwort has been so successful," said one analyst. The head of another investment bank said Warburg's move will force his own board to examine more closely its strategy, which has employed a more cautious approach to overseas expansion and to the development of an international distribution network.

Such integrated investment banks were introduced into London with Big Bang. The City still remains dominated by the old structure of independent merchant banks and brokers. But many of the market practices which support the existing structure – notably the traditional rights issue, and pre-emption rights – are coming under attack.

"The old idea that merchant banks can merely give advice, without providing equity distribution as well, has had its day," said the head of one independent stockbroker. "Warburg's strategy has been absolutely right. The problem is that it is just not big enough to compete with the Americans internationally."

Yet many of the independent merchant banks, such as Schroders and Lazard Brothers, have continued to thrive and believe change, if it comes, will be slow.

Many are sceptical about the reasons for the proposed merger and claim that, if it goes ahead, it will present opportunities for them.

One leading merchant banker said: "This is an elegant way for both companies to address their excessive overheads. There will be blood on the carpet in London and New York, enabling their rivals to pick up good staff cheaply." Others state confidently that Warburg will lose clients. "Some of Warburgs more conservative UK clients may think twice about staying with a US-dominated firm," said a rival investment banker.

But most observers believe the merger will accelerate London's move towards the US system of integrated investment banks.

"Ten years from now, distribution will be much more important than it is now," said the chairman of one merchant bank which has eschewed building a worldwide distribution network. "What we do remains to be seen."

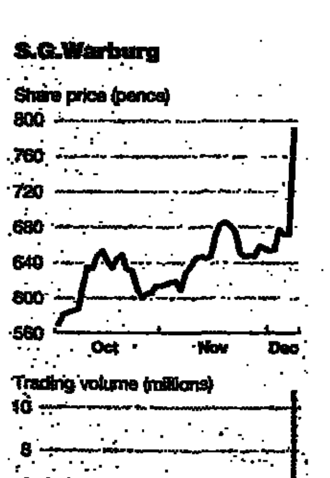
■ **SHARE TRADING**

Exchange stamps on rumours

The Stock Exchange again demonstrated yesterday its commitment to force companies to make public statements when there is an unexpected surge in trading in their shares, Robert Peston writes.

Yesterday's victim was S.G. Warburg, one of the Exchange's own member firms. After a flurry of trading in Warburg's shares when the market opened at 8.30am, the merchant bank was forced to announce – a week ahead of schedule – that it is in merger talks with the US investment bank, Morgan Stanley.

However the rumour sweeping the stock market which led to this surge made no reference to Morgan Stanley. The speculation was that Hongkong and Shanghai Banking Corporation was about to launch a tender for 14.9 per cent of Warburg. The previous day there had been a rumour linking Warburg with J.P. Morgan – speculation that has surfaced several times over the past few years.



The announcement of the actual transaction being negotiated by the two banks was made at 10.48am. Prior to that, 2.1m Warburg shares had been traded, almost four times the total for Wednesday, a typical day.

Because of this unexpected increase in trading volumes, the Exchange had telephoned Warburg's stockbroker, Cazenove, at around 9am, to inquire whether there was a reason to put Warburg's shares on "indicative" status. That would have temporarily relieved market makers, the wholesaler of shares, of their obligation to deal at prices quoted on the SEAQ computerised share price system – and would have been a signal to the market that a statement would be coming. Before the shares went indicative, at 9.35am, Cazenove contacted its client, Warburg – which then woke up the management of Morgan Stanley in the US.

■ **S.G. WARBURG:** By Robert Peston

Sir Siegmund's rich legacy

One banker likely to have been sceptical about the merits of a merger between S.G. Warburg and Morgan Stanley would have been the late Sir Siegmund Warburg, who founded the London-based firm after the second world war.

In a rare interview given to Euromoney in 1980, he suggests that the sheer size of the combined businesses would have troubled him: "What worries me, very much quite frankly, is that we are already getting too big on both sides of the Atlantic" he said.

He would also have been concerned about whether the cultural differences between the two organisations might cause problems: "One general reservation which I feel about some . . . of the US investment banking houses is that they put too much emphasis on measuring, almost from month to month, what a specific partner produces. I don't even like the way they pronounce the word – not produce, but 'prodooce'. All this emphasis on producing – that is all right for a cow, but not for a human being."

S.G. Warburg has come a very long way since that interview. Then it employed around 650 people. At the end of its last financial year, staff numbers were 4,472.

Under Sir Siegmund's stewardship, it was in the tradition of a European *Banque d'Affaires*, concentrating on giving advice to companies on a variety of deals. It occasionally thought up new securities (Warburg is often credited with creating the Euro markets) and it initiated the UK's first hostile takeover attempt. Periodically, it made slightly wacky investments (for example, in an advertising company).

A variety of picaresque stories about Warburg entered into City of London folklore, most of them true.

These included the use of a Swiss graphologist, or handwriting analyst, to assess potential employees (still used today), the practice of eavesdropping on colleagues' business phone calls to eliminate the notion of secrecy within the firm (no longer widespread because of City regulations) and holding two lunch sittings, to double the number of clients who could be entertained (though frugally, without wine).

The strategy which has brought Warburg to consider a merger with Morgan Stanley was adopted in 1984 by Sir David Scholey, soon to retire as the bank's chairman, and was regarded by Sir Siegmund as his "adopted son". That was when Warburg decided to become an "integrated" investment bank, or financial supermarket for big companies, combining the traditional advisory functions of a merchant bank with securities trading.

It bought two London stockbrokers, Rowe & Pitman and Mullens, and a stockjobber, Akroyd & Smithers. Offices opened all over the world – at last count, the firm operated out of 24 countries.

Warburg had one outstanding success in its fund management arm, Mercury Asset Management, the UK's biggest money manager. But the core investment banking business has produced a lower return on capital than some of its bigger US rivals, such as Goldman Sachs, or its more specialist domestic rivals, such as Schroders, Smith New Court or Cazenove & Company. In the six months to September 30 , its profits, excluding MAM, were negligible.

By considering a merger with Morgan Stanley, it is adopting the argument that "critical mass" is vital to its success. So perhaps Sir Siegmund should have the last word: "The danger is that the bigger a company becomes, the more difficult it is to deal with it on a personal basis, and the more you become slaves of a big bureaucratic machinery."

■ **MORGAN STANLEY:** By Patrick Harverson

Elite child of a depression

Morgan Stanley was born, sixty years ago next September, an offspring of the 1929 stock market crash and the Great Depression. Amid the economic calamities of the era, a Congress eager to strengthen the foundations of the nation's financial system passed the Glass-Steagall Act of 1933, enshrining the separation of the commercial banking and securities businesses in the US.

Forced to choose between the two businesses in 1934, JP Morgan – Wall Street's dominant firm – elected to concentrate on banking. Within a year, a group of senior partners at JP Morgan resigned and joined forces with several partners of the Philadelphia firm of Drexel & Co to form "a new organisation for the underwriting and wholesaling of investment securities." Under the leadership of Harold Stanley and Henry Morgan, the grandson of JP Morgan, the firm of Morgan Stanley set up business at Numer Two Wall Street on September 16, 1935.

In its first full-year, Morgan Stanley managed or co-managed $1.1bn of public offerings and private placements, or 24 per cent of the entire market, and from that auspicious start it never looked back. In the ensuing 40 years, Morgan Stanley grew into Wall Street's most successful and prestigious wholesale securities firm.

Throughout its prime, Morgan Stanley was sustained by a corporate culture that set the firm apart from the trailing pack. Hiring the best and the brightest from the country's top families and universities, the firm molded its executives into an elite corps which cultivated a mystique that impressed clients and intimidated rivals.

By the 1970s, although the firm was one of the biggest underwriters of securities in the US, it began to diversify into securities trading and later, the rapidly-growing and glamorous business of mergers and acquisitions, where Wall Street's pre-eminent dealmaker, Mr Robert Greenhill, led the way throughout the M&A boom years in the 1980s.

But the firm's dominance began to slip as its competitors adapted faster to a rapidly-changing world. In 1986, the firm went public to secure access to the capital the biggest securities houses increasingly needed to compete in US and global capital markets.

Although it was still regarded as the best-managed of Wall Street firms – its return on equity consistently outstripped those of its rivals in the mid and late-1980s – the future appeared to belong to the new giants of Wall Street, such as Goldman Sachs (which took over Morgan Stanley's mantle as the elite of the industry).

By the start of the 1990s, Morgan Stanley was just one of several dominant "bulge bracket" firms in the securities industry. The balance of its business had shifted away from stock broking and underwriting and towards proprietary trading, and its M&A business was enduring the sharp decline in deal activity apparent across Wall Street. The M&A department later suffered a blow when Mr Greenhill left the firm in June 1993 to join securities house Smith Barney taking a dozen top investment bankers with him.

In the last two years, the firm has bounced back, moving rapidly into the burgeoning derivatives business. Although its earnings have been hit by the sharp downturn in the securities industry this year, it has pursued an aggressive expansion strategy, focussing primarily on building up its presence in overseas markets. Mr John Mack, Morgan Stanley's ambitious president, said recently that the firm's goal was to be the "Number One global investment bank".

■ **THE FIT:** By Conner Middelmann and Patrick Haverson

A promising merger across different cultures

At first sight, S.G. Warburg and Morgan Stanley are like chalk and cheese: the former a brash Wall Street deal-maker, the latter an understated UK merchant bank.

Yet, while the two houses might find it challenging to reconcile their sharply differing corporate cultures, they do have some traits in common – including a certain blue-blooded history – and many aspects of their businesses are complementary.

In particular, Warburg has a very modest presence in the US capital markets, while Morgan Stanley is among the leading Wall Street houses. It is a prominent force in all areas of US activity – equities, bonds and corporate finance – and is also a leading player in global fixed-income, foreign exchange and commodities.

In Europe, Morgan Stanley has been building up a sizeable presence from its London base, but it would benefit from Warburg's strong corporate client list and trading position in the UK and on the continent. In the UK, in particular, Warburg enjoys one of the biggest and most prestigious lists of clients for corporate advisory work.

Despite Morgan's European expertise in equity research and cross-border takeovers, it has made little headway in UK corporate finance and distribution, observers say.

A merger could put the banks at the top of the cross-border mergers and acquisitions league table. According to Securities Data, Morgan Stanley ranked second in the year to date, with deals worth $77.8bn, while Warburg was in 10th tenth place at $19bn.

The combined bank would also be a powerful force in the fast-growing area of international equities issuance. So far this year Morgan Stanley ranked third in the world, with bookrunning mandates worth $2.9bn, while S.G. Warburg ranked fifth, with bookrunning mandates of $2.3bn.

The jewel in Warburg's crown is Mercury Asset Management, the highly profitable fund management arm of which it owns 75 per cent.

Here too the banks are complimentary: Warburg is strongest in UK/European equity and international fixed-income investment, while Morgan Stanley shines in US and emerging market investing.

The main area of overlap between the two is in the Far East, where both companies are significant players in the primary equity markets.

There is also likely to be substantial duplication of resources on the research side of the business, particularly in Europe.

Both houses have a reputation for excellent investment research, especially in equities. This year, Warburg topped the closely-followed Extel league table of UK-based analysts for the fourth year running, Morgan Stanley was in eleventh place, but also boasts several highly regarded equity analysts in London.

In the US, the 1994 survey of US brokerage analysts by Institutional Investor magazine ranked Morgan Stanley sixth best, a slight slip from its fifth ranking last year.

Probably its best-known analyst is emerging markets strategist Barton Biggs, whose bullish stance on China last year prompted a remarkable surge in Hong Kong share prices.

The risk of merging two high-powered research teams is that some of the most highly-rated analysts may feel eclipsed by the competition - and leave. "You can only have a limited number of prima donnas at any one bank," says one analyst.

Indeed, merging two institutions with such distinct cultures could be a painful and complicated process. "You've got to do a lot of smoothing: strategies, technology, and, most importantly, people's egos," says one banker.

This bears the risk of demoralising staff, leading to defections. "The best people often leave when companies undergo such radical overhauls," he says.

HOW THE BANKS COMPARE

GLOBAL MERGERS

Adviser	Value ($bn)	Market share (%)	Deals
Goldman, Sachs	85.65	14.0	145
Morgan Stanley	77.78	12.7	117
Merrill Lynch	56.86	9.3	121
CS Fst Boston/Cred Suisse	48.86	8.0	129
Lehman Bros	46.43	7.6	124
Salomon Bros	46.36	7.6	92
Lazard House	35.04	5.7	79
J.P.Morgan	25.44	4.2	77
Smith Barney	22.12	3.6	65
S.G.Warburg	19.12	3.1	70

EUROBONDS

Bookrunner	Amnt ($bn)	Market share (%)	Issues
Merrill Lynch	33.86	8.2	161
Cred Suisse/CS Fst Boston	27.33	6.6	144
Goldman, Sachs	21.76	5.2	91
Nomura	20.86	5.0	186
Swiss Bank Corporation	20.20	4.9	141
Union Bank of Switzerland	16.67	4.0	78
Lehman Bros	16.54	4.0	90
Morgan Stanley	16.24	3.9	95
J.P.Morgan	15.74	3.8	88
Daiwa Securities	14.20	3.4	84

S.G.Warburg is placed 21st with $4.3bn of deals

INTERNATIONAL EQUITY ISSUES*

Bookrunner	Amnt ($bn)	Market share (%)	Issues
Goldman, Sachs	6.17	14.3	58
Merrill Lynch	4.68	10.8	64
Morgan Stanley	2.93	6.9	44
Banque Paribas	2.77	6.4	17
S.G.Warburg	2.26	5.2	22
Lehman Bros	2.12	4.9	35
Cred Suisse/CS Fst Boston	2.09	4.8	33
Barclays Bank	2.08	4.8	21
Robert Fleming	1.52	3.5	12
Deutsche Bank	1.27	2.9	6

Note: Equities sold outside company's country of domicile

Source: Securities Data

Hypo-Bank holds out against markets decline

By Andrew Fisher in Frankfurt

Bayerische Hypo-Bank yesterday announced a set of 10-month results that compare favourably with those of other leading German banks, which have suffered steep declines in profits as a result of weak bond markets.

The Munich-based bank said group operating profits were 6.5 per cent lower at DM807m ($514m). Mr Eberhard Martini, chairman, said the year-end figure should be about the same as 1993's.

Like its German competitors, Hypo-Bank suffered from the downturn in bond markets, with its own-account trading in securities, foreign exchange and other financial instruments showing a loss of DM68m against a profit of DM174m in the same period last year.

However, the bank showed a 9.4 per cent rise, to DM1.6bn, in partial operating profits, which reflect basic loan, savings and other customer business. This was mainly attributed to a 12.5 per cent increase in the interest surplus, to DM3.4bn, reflecting an improved interest rate margin and an expansion of its mortgage banking business.

Hypo-Bank's commission surplus eased by 4 per cent to DM731m. This was mainly because of lower securities business, with payments transactions up considerably and lending fees showing a slight improvement. Loan-loss provisions were 9 per cent lower at DM873.

● Dresdner Bank, Germany's second biggest bank, wants to build up a strong investment banking unit in London, Reuter reports from Frankfurt.

Dresdner said there was no question of it turning its back on the Frankfurt financial centre. "We want, rather, to build up successively a strong investment banking unit in London," it said.

It said any large international bank seeking a role in investment banking had to have a presence in London.

The bank was responding to a question about an article in the financial newsletter Platow Brief which said Dresdner was planning a strategic restructuring of its activities in London.

In October, Deutsche Bank, Germany's largest bank, said it planned to concentrate all its investment banking activities under a single management structure in London.

Mannesmann unit confident

By Michael Lindemann in Bonn

Mannesmann Mobilfunk (MMO), Germany's first private mobile telephone operator, said it would for the first time make a "significant" profit in 1994, after almost doubling turnover.

The company is also changing its tariff structure next year in an attempt to capture more of the mass market, a move which it expects to result in a further big increase in sales.

Its D2 mobile telephone net is expected to have 850,000 subscribers by the end of the year, up from around 500,000 this time last year.

Turnover in 1994 rose 88 per cent to DM1.7bn ($1.1bn) from DM902m the year before. The group would not give any details about likely profits in 1994, but analysts expect them to be between DM100m and DM150m.

Around DM2.4bn has been invested in MMO since the company – a subsidiary of the Mannesmann engineering group – was started five years ago.

Another DM1.6bn will be invested over the next five years to increase the capacity of the D2 mobile telephone net, especially in airports and railway stations where there is an unusually high number of users.

Recently, MMO has taken the battle for the mobile telephone market to its two competitors, DeTeMobil, a subsidiary of Deutsche Telekom, and E-Plus, a consortium run by Veba and Thyssen.

Last month, MMO slashed the cost of calls on its D2 network, a move DeTeMobil was obliged to copy shortly afterwards.

UK retailer pays special dividend

By Neil Buckley in London

Great Universal Stores, the UK mail order, retail, property and financial services group, is to hand £300m ($492m) of its £1.5bn cash pile back to shareholders in the form of a 30p a share special dividend.

The proposed dividend was announced as the group revealed a 5.5 per cent increase in pre-tax profits for the six months to September 30, to £225m from £213.2m.

But with the special dividend payable only to those holding shares yesterday, and the smaller than expected profits, GUS shares fell 35p to 496p.

Mr Richard Pugh, deputy chairman, said the group had been seeking ways of redistributing for some time. It said a special dividend was the "most equitable" way of giving money back to shareholders, but had to stay "within certain parameters" to gain approval from the Inland Revenue.

The move by GUS last year to enfranchise its non-voting shareholders sparked hopes of a change of culture in one of the more conservative FT-SE 100 companies.

Speculation that GUS might launch a share buy-back resurfaced following the £508m buy-back by fellow retailer Boots last month, and some analysts were disappointed that GUS chose a special dividend. Others were disappointed by the size of the pay-out and suggested GUS might pay further special dividends.

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GrandMet sells US canning plants

By Roderick Oram in London

Grand Metropolitan, the UK food and drinks group, is to sell its US vegetable canning plants to streamline the operations of its Green Giant brand.

A similar move on the frozen food side of Green Giant, one of the leading US brands, has already helped it to increase its market share.

The deal will entail a £42m ($65.7m) charge in the current year, only a week after GrandMet announced in its year-end results that it had identified all such restructuring charges for the "foreseeable future".

"It is a little bit niggling to have this stream of restructuring charges. It's typical of GrandMet," one food analyst said.

GrandMet's Pillsbury subsidiary is selling six largely seasonal plants to Seneca, a New York State-based canning operation with plants across the US. The UK group will receive £46m over the next 15 years. Pillsbury will take the charge for closing another four plants.

Pillsbury estimates that economies of scale from the deal will save it £21m a year and release £172m in fixed and working capital.

Pillsbury will retain control over seeds supplied to farmers, which it said was the key element in Green Giant's quality. It will also retain the brand, marketing and distribution of the canned vegetables.

"We are in a position to concentrate on product development and marketing and let our processing partners do what they do best," Mr Paul Walsh, Pillsbury chief executive, said.

Canned and frozen vegetable account for equal shares of the $4.3bn-a-year US prepared vegetable market.

Green Giant is number one and growing on the frozen side, but number two to Del Monte and declining in canned products.

Moreover, demand for canned vegetables is stagnant, partly because product innovation is harder than in frozen goods.

Tough times for Swatch-maker

Doubts on SMH's future have hit the share price, writes **Ian Rodger**

Investors seem to be having their annual case of jitters over SMH, the dominant Swiss watchmaking group.

The registered shares of the maker of Swatch, Omega, Tissot, Rado, Blancpain and Longines watches have tumbled 14 per cent in the past three weeks to reach a two-year low yesterday of SFr137.

A year ago, a similar burst of selling pressure greeted the news that Mr Stephan Schmidheiny, the Swiss financier, was withdrawing from the board and reducing his investment in the group.

This time, the decline follows the announcement by analysts that they had lowered their forecasts of SMH's profits for the current year. However, the analysts themselves dismiss this as a cause, because it was already widely-known that this year's earnings would be hard hit by the effects of a strong Swiss franc.

The worries today are more fundamental: there are doubts over the staying power of the vital Swatch brand, over the potential for the so-called Swatchmobile micro-car project with Germany's Daimler-Benz, and over the eccentric style of the 66-year-old chairman and controlling shareholder Mr Nicolas Hayek.

Of these, the future of Swatch is the most important in the near term. These cheap and cheerful plastics watches have long since become the group's core product, with sales of over 20m units annually.

With prices deliberately kept low, Swatch sales do not produce big profits, but rather huge cashflow which helps to cover the cost of developing and producing all watch components.

After a decade of phenomenal growth, Swatch sales stagnated last year, leading to questions over whether the brand's popularity was slipping into irreversible decline.

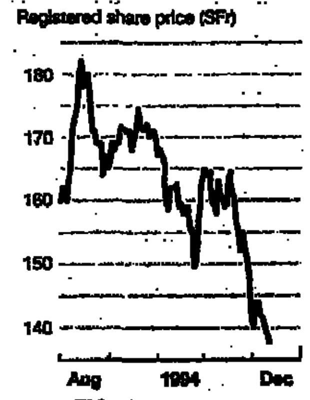
Unfortunately, SMH's erratic disclosure policy makes it difficult for investors to gather evidence and make an informed judgment. In August, it said Swatch exports were down by between 10 and 15 per cent in the first half, but Mr Hayek said last month sales had been growing again since the autumn.

The group belatedly acknowledged Swatch's failure in the US and most east Asian markets, where plastic is not seen as fashionable. It has just launched a line of "Swatch Irony", low-cost metal watches, to try to regain ground in these markets.

If this product line can restore stability in the Swatch range, then the potential for a group profit recovery next year, boosted perhaps by a weakening of the Swiss franc, becomes tantalising.

SMH

Registered share price (SFr)



Source: FT Graphite

"If they can stabilise the Swatch, that is enough to ensure growth in earnings," says Martin Newson of Goldman Sachs International.

"I could see profits of SFr450m ($339.2m) next year," says Mr Marc Polydor of Banque Scandinave en Suisse in Geneva. That compares with estimates averaging around SFr370m for this year, and implies that the registered shares are trading at less than 10 times next year's earnings. In 1993, the group recorded profits of SFr440m.

Mr Pierre Tissot of Geneva bankers Lombard, Odier says those inclined to buy would do better to pick up the bearer shares, which are at a 14 per cent effective discount to the registered.

But even if the Swatch problem is solved, analysts remain nervous about other factors.

After three years of rumours about the Swatchmobile, SMH and Daimler-Benz finally announced last week that they would this month choose a site in France or Germany for an assembly plant.

SMH's record with putting the Swatch brand on other products, mainly telephones, is not strong, and the car project represents a much bigger investment.

Still, analysts point out that SMH has large liquid reserves and a very healthy cashflow. "It is not a financial problem," says Mr Tissot. "It is a question of profitability. Margins in the car business are not like those in watches."

He also worries about signs of nepotism. Mr Hayek's son Nick has become a Swatch marketing director and his grandson Marc is also involved. "The grip of the Hayek family is a source of concern," he says.

Mr Polydor is more relaxed. "It could be a problem in the medium term, but for the time being there is a management team that is making the strategy."

BSkyB plans closer ties with BT

By Raymond Snoddy in London

British Sky Broadcasting, the satellite television venture which yesterday made its stock market debut in New York and London, is planning a close relationship with British Telecommunications.

BSkyB shares, priced yesterday at 256p, opened at a premium. In London, the shares closed at 268½p. In New York, American Depositary Shares offered at $24.05 were trading at $25¼.

Last month BSkyB, valued yesterday at £4.4bn ($6.9bn), and BT announced a marketing tie-up to offer discount telephone services to satellite television subscribers. Other, more extensive links between the two organisations, which see themselves as natural allies, are now possible.

BSkyB, in which Pearson, owner of the Financial Times, has a significant stake, has been planning for some time a move into digital television. The "black boxes" now being developed have an internal modem to enable data communication down existing telephone lines.

The aim is to use a telephone data link to enable viewers to order automatically films of their choice using a keypad. At least at the outset, the intention is to offer "near-video-on-demand". Such a system involves broadcasting a small number of the top films on a large number of channels with staggered starts, so viewers are never more than 15 or 20 minutes away from the beginning of a film of their choice.

The system, which would involve extra business for BT, could also be developed for home shopping services.

BSkyB, which plans to add the Disney Channel to its roster of channels next autumn, would also like to provide programming and marketing services if BT launches video-on-demand nationally using telephone lines.

More than 500 financial institutions around the world bought into the BSkyB share offer, which was more than five times subscribed in the UK and nearly six times in the US.

Ares-Serono plunges 40% in third quarter

By Ian Rodger in Zurich

Ares-Serono, the Geneva-based biotechnology drugs group, has reported a 40 per cent slide in net income in the third quarter to $8.3m, mainly because of a surge in research spending.

Sales were flat at $149.6m, reflecting the group's rapid adjustment to the removal last year of many of its products from the approved medical list in the Italian market.

R&D spending rose more than a third to $35.1m, as the group stepped up its efforts in developing products in the field of immunology/oncology. Pre-tax profit fell 40 per cent to $10.4m.

Shares in US airlines plunge on profits warning

By Richard Tomkins in New York

Shares in Continental Airlines and Southwest Airlines, two of the biggest US carriers, plunged to 12-month lows yesterday after the companies warned their fourth-quarter results would be badly hit by fare wars in the US market.

Other airline stocks took a hammering as gloom over the industry's prospects reasserted itself. Earlier this year a spate of good results had given rise to hopes that the sector was recovering from years of losses caused by overcapacity and cut-throat competition.

The biggest disappointment came from Southwest Airlines, which until now had enjoyed a long period of unusually strong profits growth by offering no-frills services at fares well below those of other airlines.

Southwest was able to offer these low fares because its costs were much lower than those of the other big carriers. But the other airlines have been hitting back, trying to mimic the Southwest formula with their own low-cost services and forcing Southwest's fares even lower.

On Wednesday, Southwest warned that its passenger yield – the average fare per passenger per mile – could be down by as much as 9 per cent in the fourth quarter, resulting in net earnings well below the comparable period's 26 cents a share.

Its shares were $3⅝ down at $16¼ at midday yesterday, a fall of 22 per cent.

Shares in Continental Airlines were even worse hit – at midday, they were down $3¾ at $9¼, a fall of 34 per cent, – after the company warned that losses in the fourth quarter would be significantly deeper than expected and capacity would be reduced by 7 per cent in January as a result.

Analysts had already been predicting a loss of 70 cents a share for Continental because the airline's no-frills Continental Lite service, launched last year as a rival to the services offered by Southwest Airlines and other low-cost carriers, has run into difficulties.

Airline stocks sank on fare wars fears. UAL, United Airlines' parent, was down $3½ at $88⅛; AMR, American Airlines' parent, was down $1¾ at $49⅛; USAir was down $¼ at $4⅛; and Delta Air Lines was down $1⅛ at $47⅞.

CME to centralise trade in swaps deals

By Laurie Morse in Chicago

The Chicago Mercantile Exchange said yesterday it would create a centralised trade processing organisation for the large over-the-counter market in interest rate swaps. The CME plan offers swaps dealers trade valuation and collateral depository services, while stopping short of clearing or guaranteeing transactions.

The exchange, whose membership includes most of the world's top swaps dealers, said the swaps collateral depository would help increase the stability and security of derivatives transactions worldwide. However, swaps dealers said the CME's facility would attract business only if less expensive than the current system, where dealers process their own swaps trades bi-laterally.

Several banks and derivatives dealers have attempted to organise similar swaps-processing services. However, competitive concerns have limited their use. The CME will be the first independent entity with enough experience to offer swaps processing services.

The exchange has two high-profile partners for the venture. The international bank data communications and processing system, known as Swift (Society for Worldwide Interbank Financial Telecommunication) will be used to deliver the transactions to the CME depository.

The depository will use software supplied by SunGard Capital Markets to value, or "mark to market", the transactions and administer the collateral. The Swift message system and the SunGard software are widely used in the global derivatives industry.

CME officials said they expect the collateral depository would be organised as a separate legal entity and would open for business next autumn.

Foreigners lift Wall Street blues

Bankers are thankful for overseas IPOs, writes Patrick Harverson

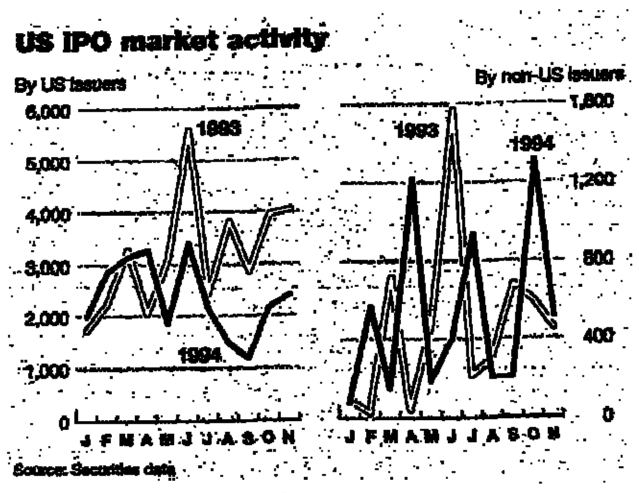
With the market for initial public offerings of stock (IPOs) in the US suffering a sharp drop in activity this year because of rising interest rates and a slumping stock market, Wall Street investment bankers have been thankful for one thing: sustained interest from foreign companies in seeking US listings for their shares.

Although US companies raised only $25.8bn in the first 11 months of this year – well down on 1993's record total of $40.8bn – the volume of flotations by foreign companies is up on a year ago, albeit only slightly. Foreign issuers – many of them newly-privatised companies of Latin America and Europe – have already raised $5.8bn this year, and are on target to just exceed 1993's record 12-month volume of $6.3bn.

Apart from the international side, however, the IPO market remains disheartened, mostly because the secondary market is in such a sorry state. The Dow Jones Industrial Average has dropped 6 per cent since approaching its year high in late October, and investors are fearful that the Federal Reserve's aggressive tightening of monetary policy this year will undermine economic growth and corporate profitability.

In expectation of further rate increases and lower earnings, some investors have begun to switch funds out of stocks and into fixed-income investments, where yields are higher. To Wall Street underwriters, this is worrying: mutual funds have been big buyers of IPOs in recent years. Mr Ernesto Cruz, head of equity capital markets for North and South America at CS First Boston, says: "The material that fuels the IPO mutual fund buyer is cash inflows, and they are slowing down as individual investors become cautious about putting further money to work in the stock market."

Against this background, selling new paper is likely to be difficult. Although contraction in US economic and earnings growth will not affect the performance of foreign equities, the market's sourness may reduce demand for non-US IPOs. Increasingly wary investors are likely to adopt a safety-first approach – and among US institutions and individuals, foreign stocks do not top the list of low-risk investment vehicles.



Source: Securities data

However, many investment bankers on Wall Street believe that US investors' interest in foreign stocks is less fickle than it was. Although investors have been looking overseas because returns there have looked more promising than at home, growing demand for non-US issues has reflected their eagerness for diversification.

Mr Tom Davies, head of equity capital markets at Merrill Lynch, the world's busiest underwriter, says: "There is a pretty strong desire on the part of US institutional and retail investors to increase their asset allocation to non-US equities – it's a portfolio rebalancing." Such a trend is not easily reversed by a temporary deterioration in investor sentiment, say analysts.

There are other reasons why non-US IPOs have continued to find willing buyers. Ms Kathleen Smith, an analyst at Renaissance Capital, a Connecticut-based consultancy which advises institutional investors on the IPO market, believes the quality of foreign issuers lately has tended to be higher.

She says that, while there are still plenty of attractive foreign IPOs in the pipeline, domestic IPO issuance is at a more mature stage and most of the high-quality issues have come and gone.

"Coming up on the calendar before the year-end, our favourites are all international companies," she says, singling out two deals: the $1.37bn IPO for the British Sky Broadcasting satellite television venture (a consortium in which Pearson, owner of the Financial Times, owns 17.5 per cent) which was priced and sold earlier this week, and yesterday's $467m IPO for SGS-Thomson, Europe's top semiconductor company.

Mr Tom Davis, head of equity capital markets at Merrill Lynch, says December is shaping up to be a tricky month for issuers and underwriters. "From now to the end of the year, you will have a highly selective and highly price-sensitive market. It has not been a great year for most portfolio managers from a performance standpoint, so you have a very cautious institutional investor environment right now."

Recent declines in share prices, and evidence that money is flowing out of equity funds, have created a more hostile investment environment for new stock issues.

A clearer picture of investor sentiment should emerge by mid-December, says Mr Cruz of CS First Boston. Four large IPOs – BSkyB, Thomson, Guident (a spin-off from the US pharmaceuticals group Eli Lilly) and Crown Pacific Partners, a US timber group – are due to be priced by then, and the progress of each issue is being closely watched for any signs of a deterioration in demand.

Yet, in spite of anxiety about the December calendar, bankers say the IPO market is in better shape than during the summer, when activity fell sharply because of concern about rising interest rates and falling share prices. "There was an awful lot of offerings downsized, downpriced, postponed, and withdrawn," says Mr Davis. One banker estimates that whereas between 50 per cent and 60 per cent of IPOs in the summer were priced below their range, only 20 per cent to 30 per cent of deals in October and November were similarly under-priced.

Moreover, bankers can be sanguine because a good part of the slowdown in issuance activity is attributable to cyclical forces. As Mr Davis explains: "1994 is the fourth year of the equity financing boom in the US, and there's been an awful lot done. Much of the business in the early part of the decade was driven by deleveraging. That's behind us now. A lot was done by cyclical companies, whose stocks were rising ahead of earnings and cash flow. Now that earnings and cashflow is coming through, there is a less pressing need for equity."

Over the longer term, the outlook for the IPO market remains uncertain.

The head of equity capital markets syndication at a prominent Wall Street firm says the calendar for the first quarter of 1995 is pretty full, but warns that if the current difficult environment carries through into next year, many companies will be forced to compromise on both the price and size of their issues.

US investors put pressure on Dylex to restructure board

By Bernard Simon in Toronto

A group of US investors appears to be on the verge of forcing Dylex, one of Canada's biggest fashion retailers, to accept new corporate governance rules, including a shake-up of its board.

River Road, a Connecticut-based limited partnership which owns about 13 per cent of Dylex, has been putting pressure for some time on members of the Posluns family, who hold a majority of the group's voting shares. River Road is controlled by the Paloma Group, a widely-held investment fund.

"We feel that Dylex has been under-performing given its asset base and potential," Mr Bob Poile, River Road general partner, said yesterday. Dylex owns about 1,000 stores in Canada and the US, with 1993 sales of C$1.8bn (US$1.3bn). But it had losses totalling C$140m in four of the past five years.

The outside investors' disquiet centres on Dylex's unwieldy 18-member board, most of whom are members of the Posluns family, their advisers and senior Dylex managers. "We're looking to shake up the status quo and get a new board in place," Mr Poile said.

The company's three independent directors are expected to echo these concerns in a report, which is due to be released later this month.

River Road cemented its position earlier this week by buying all Dylex's Class C preference shares. These shares are convertible into Class A preference shares.

Class A shareholders will gain voting rights at the end of this month if Dylex fails to reinstate dividends on the stock, which were suspended almost two years ago.

The outside investors were concerned that the Posluns and their allies would use their voting control to approve a dividend. However, Mr Wilfred Posluns, chairman and chief executive, said that "any indication that we would oppose the elimination of the next dividend payment is erroneous".

Bank report supports derivatives

By Philip Coggan, Economics Correspondent

Derivative instruments are more a consequence than a cause of instability in currencies and interest rates, according to a report issued by the central banks of the G10 countries.

Concern has been expressed that growing use of derivatives might add volatility to financial markets and create the risk of a system-wide financial crisis.

The report, prepared by a working group headed by Mr Hervé Hannoun, deputy governor of the Bank of France, says that derivatives are only one of the innovations which have altered financial market behaviour. The report argues that derivatives make markets more efficient and should, under normal conditions, have a stabilising influence.

However, in times of stress the derivatives can amplify price movements.

Central banks can avoid contributing to market instability by following a "strategy that is predictable and well-explained to the public" and by implementing that strategy "in a consistent manner so as to aid the formation of non-inflationary expectations".

Derivatives do not diminish the control that monetary policy has over inflation, and the limited evidence available suggests they have yet to alter significantly the efficacy of monetary instruments.

Macroeconomic and monetary policy issues raised by the growth of derivatives markets: a report by a working group established by the Eurocurrency standing committee of the central banks of the Group of 10 countries, published by the Bank for International Settlements in Basle.

Akzo-Nobel arm merges with US rival

By Daniel Green

Akzo-Nobel, the Dutch/Swedish chemicals company, is to merge its rubber chemicals division with that of US rival Monsanto.

The new company, forecast by Akzo to have sales of $600m in 1995, will be based in northern Belgium.

It will initially employ 1,400, but job losses "cannot be ruled out", Akzo said.

The merger is the result of overcapacity among suppliers, consolidation among the sector's customers – for example in tyre manufacture – and aims to improve performance in a slow growth industry.

The 50-50 joint venture is scheduled to begin operations in January. Its products will largely be additives that improve the performance of rubber, such as helping car tyres withstand cold. The two companies have complementary product lines.

Akzo would not say whether the transaction included a cash element. It said the joint venture would be "in the top three" in its sector by turnover.

Competitors include Bayer, the German chemicals company.

US telecoms group close to European deal

By Alan Cane

AT&T, the US telecoms group, and Unisource, a consortium of European telecoms operators, are thought to be close to announcing a joint venture aimed at Europe's telecommunications market.

Yesterday, neither company would comment on reports that they would announce the formation of the company next week. The telecoms industry, however, has been expecting the move since AT&T and Unisource became partners in the US company's Worldsource venture earlier this year.

Worldsource involves no equity exchange, but is an attempt by AT&T to marshall leading operators to help provide its international business services. Worldsource is strong in the Asia Pacific region where its partners include Singapore Telecom and Telstra, the Australian operator, but weak in Europe.

A joint venture between AT&T and Unisource, which comprises the national carriers of the Netherlands, Sweden and Switzerland, moves a step beyond this marketing affiliation. Press reports suggest Unisource would have a 60 per cent shareholding.

AT&T issues monthly figures

By Alan Cane

AT&T has been forced for the first time to publish financial results for a single month.

This is a consequence of Securities and Exchange Commission (SEC) regulations relating to the 35.86m AT&T shares held by British Telecommunications as a result of AT&T's merger with McCaw Cellular Communications announced last year and which BT wishes to sell.

AT&T said in October it had net income of $429m, or 27 cents a share, on revenues of $6.28bn but warned against drawing conclusions about the full quarter on one month's results.

It said the figures reflected the trend for the first nine months, with increases in telecommunications services and systems sales.

Full-year results are expected in late January.

BT last year held a 17 per cent stake in McCaw which it intended to sell; on the merger in September this year it received an equivalent number of AT&T shares. It has always said it did not intend to hold its rival's shares on a long-term basis.

AT&T yesterday filed a registration statement with the SEC as a prerequisite to BT's disposal of its shares through an underwritten public offering. The holding was valued this week at about $1.7bn. At the time of the merger announcement the shares were valued at $2.2bn.

The timing of the sale remains at BT's disposal. Goldman Sachs and Morgan Stanley have been appointed lead managers for the offering.

Consortium takes control of Embraer

By Patrick McCurry in São Paulo

Wasserstein Perella, the US financial house, has emerged as a large investor in the privatisation of Embraer, the Brazilian aircraft manufacturer.

Wasserstein is the single largest member of a consortium headed by Bozano Simonsen, the Brazilian investment bank, which won control of Embraer at an auction at the São Paulo stock exchange.

The consortium, which will control 45 per cent of the voting stock, is made up of Wasserstein Perella, which holds 41 per cent of the consortium's shares, and the pension funds of the government-controlled companies Telebras and Banco do Brasil, which together hold about half the capital. The rest of the consortium is made up of Bozano Simonsen and a foundation of Cesp, a state-controlled electricity company.

Mr Paulo Ferraz, chief executive officer of Bozano Simonsen, said that Wasserstein, partly-owned by the Japanese financial house Nomura, had been examining Embraer for some time and was acting as an investor and not as a representative of other overseas buyers.

Hundreds of riot police and troops with machine guns closed streets around the exchange before the sale, after fears of demonstrations by disgruntled workers. However, the auction passed off peacefully.

Inco in venture with Chinese metals group

Inco, the nickel producer, said it had formed a joint venture with Jinchuan Non-Ferrous Metals, a unit of state-owned China National Non-Ferrous Metals Industry, to build and run a plant near Shanghai to produce nickel salts for the Asian market, reports Reuter from Toronto.

The $10m venture would be 65 per cent owned by Inco and 35 per cent by Jinchuan, it said. "Given the significant potential for further economic development in China, Inco has been discussing other areas of co-operation and commercial relationships with Jinchuan and CNNC," it said.

Inco Pacific, Inco's Hong Kong-based affiliate, would open an office in Shanghai to further develop Inco's position in China, it said.

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Arbor wins second term in CBoT chair

Mr Patrick Arbor won a second two-year term as chairman of the Chicago Board of Trade following a membership vote, writes Laurie Morse in Chicago. Mr Arbor, a veteran futures trader with a long history in exchange politics, sought re-election saying he wanted to supervise completion of the ambitious building project begun in his first term.

The exchange is pursuing a $171m addition next year to its landmark LaSalle Street building to create a larger, state-of-the-art trading floor for its financial futures and options products, including futures on the US Treasury bond.

In spite of its continued growth, the CBoT is under pressure to forge international alliances to preserve its status as the world's busiest futures exchange.

Johnson Electric advances 10.7%

Johnson Electric Holdings, one of the world's largest manufacturers of micromotors for a broad range of domestic, commercial and consumer applications, yesterday reported a 10.7 per cent improvement in its interim net profits, writes *Our Financial Staff in London*.

The Hong Kong company, which has diversified production bases in China, Thailand and Switzerland, saw net profits for the six months to September 30, 1994 advance to HK$168.45m (US$22m) from HK$152.15m in the corresponding period last year. Turnover rose to HK$918.50m from HK$770.50m.

Prague to approve VW/ Skoda Auto deal

The Czech government will give final approval to an agreement allowing Volkswagen, the German car maker, to take majority control of Skoda Auto, although an amendment to the pact appeared to be delayed earlier this week over environmental aspects of the deal, the industry and trade ministry said, Reuter reports from Prague.

An official said the agreement was not approved at the regular session of government on Wednesday because a change over a paragraph on ecological aspects needed re-wording.

The deal would allow Volkswagen to raise its 31 per cent share to 70 per cent by 1996. The Czech government will continue to hold 30 per cent of Skoda stock.

MacPhail plans rights issue in new year

MacPhail Holdings, the South African coal distributor, said it planned a rights issue in early 1995 as the first step in a local and international expansion programme, Reuter reports from Johannesburg.

At a meeting on January 6 shareholders would be asked to approve a proposal to increase authorised share capital to R15m ($4m) divided into 30m ordinary shares of 50 cents each, the company said in a statement. "Subject to this approval the company will then proceed with a rights offer early in the new year."

The proceeds would be mainly used to repay short-term debt which the company said was raised earlier to fund two essential growth projects, continued expansion of its materials handling infrastructure, and an investment in a new bulk coal distribution centre on the East Rand. The rights offer would also provide additional working capital to fund stockpiling ahead of the 1995 winter.

Vysya Bank in strategic alliance with IndusInd

India's largest private bank, Vysya Bank, announced a strategic alliance with the new IndusInd Bank to act as a consortium in funding businesses and in providing service to customers, Reuter reports from New Delhi.

Vysya Bank said that "the two banks had agreed to share consortium finance for meeting working capital requirements, non-fund based businesses and other products such as bridge loans, underwriting, etc.

"Among the areas that Vysya Bank will assist IndusInd in are demand draft drawing arrangements, collections of bills and cheques, clearing arrangements, bank guarantees and the issue of letters of credit," the bank said.

IndusInd was floated recently by the expatriate Hinduja family, which is one of the UK's richest.

International Petroleum returns to profit

International Petroleum Corp (IPC) returned to profit in 1994, posting net profit of $4.4m, or 12 cents per share, in the year ended September 30, AP-DJ reports from Manama.

IPC, whose shares are listed on the Toronto Stock Exchange and the US Nasdaq market, is engaged in international oil and gas exploration and production.

The company said its total operations revenue mounted to $26.6m at end September, compared with $7m a year earlier. IPC made a loss of $9.2m last year.

"The significant improvement in the company's financial performance is due to the results from a full year's production from the Welton Field located onshore UK, together with a partial year's production from the Bukha field offshore Oman," IPC said.

Ashland Oil stake

Ashland Oil, the US petroleum refiner, is to buy an extra 15 per cent stake in Ashland Coal for $110m, Reuter reports from Kentucky. The acquisition, from Saarbergwerke, the German coal trader and electricity generator, will take Ashland Oil's stake in Ashland Coal to about 54 per cent.

SGS-Thomson steps into private arena

The flotation paves the way for further injections, say John Ridding and Andrew Hill

SGS-Thomson, the Franco-Italian semiconductor manufacturer, yesterday launched an offer of up to 19 per cent of its shares on the New York and Paris stock markets, and took its first step out of state ownership.

It seems a far cry from 1987 when two state-owned companies – Thomson Semiconductors of France and SGS Microelectronics of Italy – decided to pool their resources in an attempt to fight back against US and Japanese competition, and pull themselves out of a trough of financial problems and declining market share. At the time, the challenge of making the joint venture work seemed a particularly tough one. As one analyst puts it: "If you can't turn a semiconductor company round in five years, you're lost."

However, seven years on, SGS-Thomson is nearing the top 10 in the semiconductor sector.

Mr Bill McClean, vice-president of Integrated Circuit Engineering, the Arizona-based industry research and consultancy group, forecasts sales growth of about 30 per cent this year – from $2.04bn in 1993 – which makes the company the 11th or 12th biggest company in the industry. "They are definitely regarded as a serious competitor by the dominant US and Japanese groups," according to Mr McClean.

Helped by the recent upswing in the cyclical semiconductor industry, SGS-Thomson has seen profits jump to $253.3m for the first nine months of this year, nearly double the figure for the same period in 1993. Investment in new plant and fast-growing technologies, diversity of products and geographical spread have improved the group's medium-term prospects.

For example, SGS-Thomson produces mixed signal devices – which combine analog and digital systems and whose uses range from cars to telecoms – Eproms and Flash memories. The company is the world's biggest producer of Eproms, non-volatile semiconductors in which memory is retained once the power source has been removed, and has pushed ahead with the development of the next generation Flash products, helped by its pre-eminence in Eproms.

The group is taking an aggressive step in the microprocessor market.

In April, it announced it was collaborating with Cyrix of the US to produce microprocessors. The project faces potential legal hurdles because of court battles between Cyrix and Intel, the dominant microprocessor manufacturer, which is seeking to protect its patent rights.

However, most observers believe it is a significant strategic move for SGS-Thomson. "They have the capacity in place at their Phoenix plant and they should be up and running pretty quickly," says one Paris-based analyst. "This is critical because the timing will be vital in winning market share."

As for geographical spread, "unlike Phillips and Siemens, which are still fairly reliant on Europe, they have a pretty well-balanced exposure," says one electronics analyst at a French merchant bank.

Like its European counterparts SGS-Thomson still faces a problem of size. Mr Mike Glennon, semiconductor analyst at Dataquest, the UK technology research consultancy, says there are three fundamental elements to success in the microprocessor market: produce an industry-standard product; sort out patent issues with Intel; and make sure you have the ability to produce to meet market demand. "You need to be able to invest millions of dollars because manufacturing plant costs in the region of $1bn," he says. "The 'in between' position is going to be tough," adds Mr McClean, who believes SGS-Thomson needs to "get big, and keep rolling".

Mr Pasquale Pistorio, the company's Italian chairman, sketches a scenario in which the financial and technological requirements of the sector will divide it into two broad categories – general, broad-range semiconductor suppliers and small specialist producers. The dividing line, he believes, will be determined by market share and the crucial level will be about 5 per cent, a few points higher than his company's present slice of the market.

To lift the company out of what he describes as "the grey zone", Mr Pistorio has pursued a policy of expansion. This has meant strengthening the group's capital base. Last year, SGS-Thomson received two capital injections of $250m each from its state shareholders, reducing debts to about $275.5m at the beginning of this year, compared with a peak of about $904m at the end of 1991.

Such financing has prompted criticism from US rivals, who oppose the state financing of their European competitor, but it is no longer an option because of budget pressures on both the Italian and French governments.

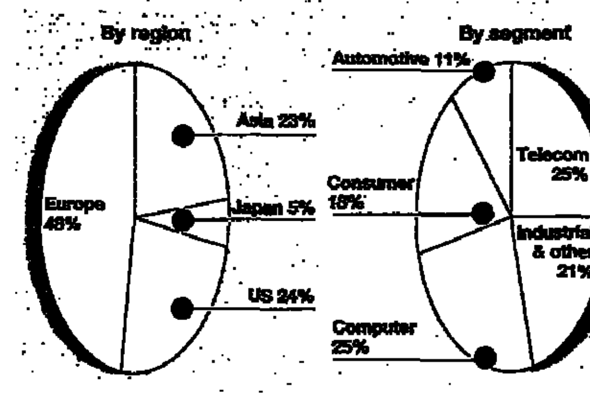
Hence the move to the market. The initial offering of shares – 16.3 per cent of the total number – should net receipts of about $470m. More importantly, it prepares the path for further capital injections from private shareholders and an eventual move from public sector control.

The French industry ministry describes such a scenario as premature.

However, the Italian and French governments are both enacting an ambitious programme of privatisation aimed at easing the financial burden of the state's involvement in industry.

In many cases flotation is followed by privatisation. The capital requirements of SGS-Thomson and the industry in which it is competing, suggest it may follow a similar course.

SGS-Thomson: 1993 sales



Source: Company

Restructure helps James Hardie rise to A$37.1m

By Nikki Tait in Sydney

James Hardie, the Australian building materials group undergoing a comprehensive restructuring and management changes, yesterday reported improved profits for the six months to end-September, at A$37.1m (US$30.2m) after tax. The company said it was firmly on track to achieve its forecast of a strong recovery in profits for the full year.

The first-half figure was almost double last time's A$19.5m, and scored on sales up to A$955.4m from A$862.9m.

Earnings per share for the first half were 9.9 cents, compared with 5.8 cents in the first half of 1993-94. The interim dividend goes up to 6.5 cents from 6 cents.

Hardie attributed the improvement to its extensive restructuring programme, and more focus on the core building sector markets.

It said all divisions had posted better results, with the exception of James Hardie Pipelines in Australia. Here, PVC costs increases and "unruly trading conditions" ate into margins.

It said a number of divisions which had made losses last time moved into the black. These included the bathroom products division, the New Zealand building services operations and the irrigation unit in Australia.

There were gains in the US, where Hardie posted an operating profit of A$10.9m, on sales of A$172m.

The bottom-line figures were also helped by lower interest charges, down to A$7.9m from A$10.1m.

Hardie shares closed unchanged at A$1.96 yesterday.

● **Coca-Cola Amatil**, the Australian-based soft drinks company which is 51 per cent owned by the Atlanta-based Coca-Cola group, said yesterday it was about to start manufacturing soft drink products in the Ukraine, in a joint venture with the Kolos brewery in L'viv.

The production company will be 57 per cent owned by CCA and 43 per cent by Kolos, with CCA granted management rights.

Its capital will be about US$11.5m.

CCA has been building interests in central and eastern Europe, and has representation in Austria, Hungary, and the Czech and Slovak republics. This year, it announced moves into Belarus and Slovenia, and is in talks to acquire companies supplying Coca-Cola products to much of Poland.

The company said a wholly-owned sales and distribution operation was supplying Kiev, the Ukrainian capital, from Hungarian bottling plants, but the L'viv plant, which was close to completion, would service the western part of the country.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Prices for Trading on 08.12.94	Final Prices for Trading on 11.11.94	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.03	23.42	26.26
0100	27.90	23.42	26.26
0130	27.90	23.42	25.26
0200	27.90	23.42	26.26
0230	19.31	23.42	26.26
0300	16.00	23.42	26.26
0330	9.69	23.42	26.26
0400	9.29	23.42	26.26
0430	9.29	23.42	26.26
0500	9.14	10.05	10.05
0530	9.09	8.25	8.25
0600	9.09	9.22	9.22
0630	9.09	9.39	12.23
0700	30.10	30.73	33.57
0730	33.15	30.86	33.70
0800	36.89	34.12	36.96
0830	37.06	34.12	36.96
0900	37.16	34.14	36.99
0930	37.19	45.09	47.94
1000	37.18	45.09	47.95
1030	37.12	45.08	47.93
1100	37.07	43.36	46.20
1130	37.05	36.76	39.61
1200	37.04	36.76	39.61
1230	37.00	36.76	39.60
1300	34.18	36.75	39.59
1330	33.16	34.12	36.96
1400	32.72	31.59	34.43
1430	31.25	31.59	34.43
1500	31.25	31.59	34.43
1530	31.26	31.58	34.43
1600	34.71	31.60	34.45
1630	68.29	34.61	38.52
1700	113.01	58.69	63.26
1730	135.86	77.65	84.38
1800	115.92	76.75	82.19
1830	67.77	48.75	53.00
1900	48.79	44.55	47.81
1930	40.92	43.48	46.44
2000	38.26	37.65	40.51
2030	33.65	35.70	38.54
2100	33.84	34.77	37.61
2130	32.79	30.86	33.70
2200	29.94	30.73	33.57
2230	29.46	30.39	33.23
2300	29.94	23.34	26.18
2330	9.29	10.07	10.07
2400	9.09	9.22	9.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.000/MWh becomes 1.000p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0532-[illegible] between 8.30am and 5.00pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Heinz joins high profile string with $300m offering

By Graham Bowley

Dollar-denominated offerings dominated the eurobond market yesterday in spite of volatility in the eurodollar market caused by fears that Orange County, California, would be forced to liquidate its $7.5bn bond fund.

This fuelled fears that a flood of bonds would flow on to international markets, and spreads in the dollar market widened significantly. Orange County filed for bankruptcy on Tuesday evening after being hit by a loss of $1.5bn from its dealings in the bond market.

In spite of the volatility, another US corporate borrower moved yesterday to exploit the relatively low cost of borrowing currently available in the eurodollar market.

H. J. Heinz, the US food group, launched a $300m offering of three-year fixed-rate bonds priced to yield 27 basis points over US Treasury bonds of the same maturity.

This is the latest in a string of offerings by high-profile US corporate borrowers who have taken advantage of the strong demand for their credit among European retail investors.

INTERNATIONAL BONDS

This enables them to achieve funding at up to 10 basis points below that available in the US domestic bond market.

"US investors focus closely on the borrower's credit rating and on the spread being offered, whereas European investors look to the coupon and to the name. And these are great names," said one dealer in London.

"Borrowers can get funding at a price significantly better than their credit-rating warrants," he said.

A deal brought at around 27 basis points over US Treasuries in the euromarkets would require a price to yield at least 35 basis points in the US market, one dealer estimated.

Walt Disney and PepsiCo both turned to the eurodollar market last week with $300m and $250m offerings respectively, both targeted at European retail investors.

The Heinz offering found a similar pattern of demand, lead manager Goldman Sachs said. "There was some UK institutional interest but primarily the bonds were sold to Swiss retail investors," a syndicate official said.

Heinz last came to the eurodollar market in 1988.

Kyushu Electric Power, the Aa1-rated Japanese electric power company, launched a $300m offering of five-year fixed-rate bonds priced to yield 33 basis points over US Treasuries.

This was the first electric power company to come to the US dollar market since July 1993, traders said.

"Most of the electric utilities have been doing their funding in yen over the last year because of the attractive rates available on fixed-yen. But the attractiveness of yen is now and the dollar market is coming back into vogue again," said one trader.

"As a result, we expect to see more Japanese electricity companies coming to the market in January and February," he said.

Demand for the offering came from European and Japanese institutional investors, joint lead manager IBJ said.

Syndicate managers said that the spread of 33 basis points was wider than initially anticipated due to the general widening of spreads on the back of worries over Orange County.

South Africa's $750m global offering was priced at 193 basis points, at the lower end of its 193 to 198 basis point launch spread.

Moody's, the US credit rating agency, assigned a Baa3 rating to the global bond issue.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Kyushu Electric Power	300	8.125	99.692R	Dec.1999	0.275R	+33(7¾%-99)	IBJ International
HJ Heinz Co.	300	8.00	99.981R	Jan.1998	0.20R	+27(7¾%-97)	Goldman Sachs Intl.
Centragas(a)	172	10.65	99.81R	Dec.2010	1.00R	+300(7¾%-04)	Lehman Brothers Intl.
Inverges	100	12.50#	99.75R	Dec.1999	1.0625R	+485(7¾%-99)	Chemical Investment Bank
Eurofima(‡)	100	7.875	99.95R	Jan.1998	0.1875R	+12(7¾%-97)	Daiwa Europe

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Amortises from 1/6/98: average life 10 yrs. Coupons paid quarterly. Short 1st coupon. ‡) Long 1st coupon.

Sweden to resume index-linked issues

By Christopher Brown-Humes in Stockholm

Sweden said yesterday it would resume index-linked treasury bond issues in the new year.

"We have now left the worst market turbulence behind us, as well as sources of unrest such as the general election and the EU referendum," said Mr Staffan Crona, director-general of the Swedish National Debt Office. Sweden is the world's biggest sovereign issuer on international bond markets.

The debt office raised SKr3bn by issuing index-linked bonds in the spring, but it had to abandon the practice during the summer because of Swedish bond market turbulence. It was the first time that a bond linked to the Swedish consumer price index had been launched.

The debt office says index-linked bonds lower its funding costs providing inflation remains low while covering investors "against unanticipated increases in the inflation rate". Investors in fixed-rate Swedish bonds have been demanding a risk premium on fears of a resurgence in inflation. Swedish inflation is currently 3 per cent, while the benchmark five-year bond yields 10.34 per cent.

The debt office aims to raise about SKr7bn through a series of index-linked bond auctions in the first four months of next year. In the first issue, planned for January 16, bonds with a nominal value of SKr1bn will be offered.

There will be a new tranche in an existing 20-year loan and a new 10-year loan. Sweden has a total of SKr500bn of treasury bonds outstanding.

Eddie George's view on inflation heartens gilts

By Martin Brice in London and Lisa Bransten in New York

UK government bonds were heartened by reassuring comments yesterday on inflation from the governor of the Bank of England, Mr Eddie George, who said it would reach a plateau soon.

Gilts had opened weaker but then rose on his comments, with one dealer saying prices were marked up by about ⅜ of a point.

The "mini-budget" by chancellor Kenneth Clarke seemed to leave gilt prices largely unmoved, although some dealers were quick to point out that the increase in the tax on drinks would take effect from January, whereas the now-abandoned fuel tax increase which it replaced would not have taken effect until April.

However, some estimates suggest that while the tax on fuel would have added 0.5 of a point to inflation, the taxes which replace it would add 0.2 or 0.3 of a point to inflation.

Mr Adam Chester at Yamaichi said the "mini-budget" left the inflation outlook "broadly unchanged".

By the end of the day the December long gilt future had moved up ⅛ of a point to trade around 101$\frac{15}{32}$. The spread over bunds had moved to about 131 basis points.

Trading was slow, with dealers reporting some switching out of gilts as the spread over bunds approached 128. Mr Andrew Roberts at UBS said: "Buying has trickled away. People are waiting for next week's data."

There is a raft of data due out in the UK next week, with producer prices on Monday, earnings and inflation figures on Wednesday, retail sales figures on Thursday and the public sector borrowing requirement on Friday.

Mr Chester said: "I think it will be another welcome set of data for the market." He thinks the gilt market will enter the new year on a reasonably firm note.

Analysts said most big investment decisions would probably be driven by the data due out in the UK next week and the data due from the US, rather than recent political developments.

GOVERNMENT BONDS

■ German government bonds opened weaker on third-quarter gross domestic product figures but then rose slightly.

The third-quarter GDP figure was 1.5 per cent quarter-on-quarter, against market expectations of around 1 per cent.

Mr Paul Campayne at Paribas Capital Markets said: "There is very little momentum or activity. A lot of domestic investors have closed their books for the year, and the market will probably stay in range-bound trading."

He said that while bunds had been hit by the stronger-than-expected GDP figure, there was evidence of technical support for bunds at the 90 level. The March bund futures contract on Liffe rose by 0.08 on the day to 90.29.

■ US Treasury prices added to Wednesday's losses yesterday morning as investors continued to sort through signs that the Federal Reserve intends to raise interest rates again in the near term and the ramifications of the bankruptcy of Orange County, California.

By midday, the benchmark 30-year government bond was down $\frac{1}{16}$ at 95¼, yielding 7.910 per cent. At the short end of the market, the two-year note was down $\frac{1}{16}$ at 99$\frac{15}{16}$, yielding 7.525 per cent.

With little economic news out yesterday, the market continued Wednesday's downward trend.

Some support came from the dollar, which rose yesterday morning against the Japanese yen and the D-Mark. By midday, the dollar had pushed back up through Y100 from just below that late on Wednesday. A rising dollar helps the market by encouraging foreign investors to put their money in US government securities such as Treasury bonds.

Still, the overall bearish tone of the market held after Fed chairman Alan Greenspan told a congressional panel he was concerned that inflationary pressures would ultimately be reflected in rising consumer prices.

Investors interpreted the testimony as a signal that the Fed would boost interest rates again by early next year. The Fed has already raised rates six times this year.

Also troubling the market were concerns about the fallout from the financial troubles of California's Orange County - the largest municipality ever to declare itself bankrupt.

One worry was that other cities and counties may face difficulties similar to those of the California county, which got itself into trouble by wagering that interest rates would not rise this year.

Mr Jack McIntyre, a senior fixed-income analyst at Thomson Financial Services, said given all of the recent unsettling news he expected the market to remain skittish.

Saudi loan in syndication for early 1995

Underwriters of a $700m loan to a Saudi petrochemical project hope to take the loan to general syndication early next year, bankers said yesterday, Reuter reports from Dubai.

They said the loan for the Saudi-US joint venture Saudi Petrochemical (Sadaf) would be governed by English rather than Saudi law.

"The deal is attractive to banks because Sadaf's credit is good and because of the English law," one said.

Bankers said Citibank and Chase Manhattan have joined the underwriters with $100m each. The other six underwriters had committed themselves to $500m. The bankers said the 8½-year loan will be priced at 125 basis points over Libor.

Merrill Lynch buys 3.5m Kemira shares

Merrill Lynch, global co-ordinator of last month's share offering by Finnish chemical group Kemira, has used its over-allotment option, or greenshoe, to purchase 3.5m Kemira shares, Reuter reports.

"These shares will be newly-issued shares of Kemira and are expected to be listed on the Helsinki Stock Exchange on Monday. Including these shares, Kemira has issued a total of 33.5m shares, raising a total of FM1.273m before expenses," the group said.

Funds raised would be used to repay debts. Kemira said it expected its equity ratio to be 25 per cent after the issue.

Kemira shares were listed in Helsinki on November 10.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.500	09/04	91.9700	−0.860	10.32	10.37	10.70
Belgium		7.750	10/04	96.5700	−0.140	8.27	8.27	8.32
Canada *		9.000	12/04	99.7000	−0.200	9.05	9.14	9.15
Denmark		7.000	12/04	89.1700	−0.100	8.66	8.61	8.97
France	BTAN	8.000	05/98	101.6500	−0.160	7.27	7.27	7.50
	OAT	7.500	04/05	96.7600	−0.150	7.96	7.90	8.16
Germany Bund		7.500	11/04	100.4300	−0.250	7.43	7.33	7.51
Italy		8.500	08/04	81.7400	−	11.71†	11.63	11.68
Japan	No 119	4.800	06/99	103.4690	+0.040	3.90	3.92	4.10
	No 164	4.100	12/03	96.5330	−0.250	4.65	4.66	4.78
Netherlands		7.250	10/04	98.1400	−0.020	7.52	7.46	7.55
Spain		10.000	02/05	90.8700	−	11.19	11.20	11.38
UK Gilts		6.000	08/99	90-19	+2/32	8.47	8.37	8.50
		8.750	11/04	88-07	+8/32	8.53	8.46	8.62
		9.000	10/08	103-29	−2/32	8.51	8.44	8.60
US Treasury *		7.875	11/04	100-08	−8/32	7.84	7.94	7.95
		7.500	11/24	95-09	−4/32	7.91	8.03	8.09
ECU (French Govt)		6.000	04/04	85.0200	−0.190	8.36	8.32	8.58

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	8½	One month	5.48	Two year	7.51
Broker loan rate	6½	Two month	5.82	Three year	7.86
Fed.funds	5½	Three month	5.85	Five year	7.77
Fed.funds at intervention	5½	Six month	6.47	10-year	7.82
		One year	7.01	30-year	7.90

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	112.80	112.82	-0.15	112.94	112.56	135,212	77,308
Mar	111.98	112.04	-0.16	112.14	111.80	36,074	76,704
Jun	111.12	111.20	-0.12	111.14	111.12	189	2,137

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
110	-	-	-	0.11	0.63	-
111	1.30	-	-	0.28	0.96	-
112	0.63	1.35	-	0.64	1.34	-
113	0.24	0.87	-	-	-	-
114	0.08	0.55	-	2.04	-	

Est. vol. total, Calls 15,297 Puts 11,628. Previous day's open int., Calls 154,725 Puts 134,361.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.18	90.29	+0.08	90.32	89.94	92469	169790
Jun	89.61	89.67	+0.08	89.61	89.61	101	540

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9000	0.56	0.82	1.13	1.24	0.27	0.63	0.84	1.57
9050	0.30	0.67	0.86	1.02	0.51	0.88	1.07	1.85
9100	0.14	0.46	0.64	0.83	0.85	1.17	1.35	2.16

Est. vol. total, Calls 11910 Puts 7194. Previous day's open int., Calls 150227 Puts 107040

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100.10	100.42	+0.23	100.59	100.10	6363	42938
Jun		99.71	+0.23			0	20

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10000	1.95	2.50	1.53	2.79
10050	1.68	2.27	1.76	3.06
10100	1.42	2.06	2.00	3.35

Est. vol. total, Calls 212 Puts 166. Previous day's open int., Calls 11571 Puts 10360

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) December 7

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.37	87.10	-0.26	87.37	87.01	37,458	66,911
Mar	86.43	86.39	-0.31	86.51	86.32	2,377	9,457

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102-11	102-16	+0-04	102-17	102-02	2192	20513
Mar	101-18	101-26	+0-04	101-29	101-08	34338	103971
Jun		100-26	+0-04			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	2-05	2-19	1-17	2-31
102	1-33	1-55	1-45	3-03
103	1-03	1-30	2-15	3-42

Est. vol. total, Calls 134 Puts 1345. Previous day's open int., Calls 18116 Puts 30784

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	82.26	82.10	-0.26	82.36	82.34	3,015	4,231

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-12	99-14	-0-03	99-21	99-08	14,731	105,381
Mar	98-31	98-26	-0-03	99-03	98-19	410,760	312,869
Jun	98-19	98-14	-0-03	98-19	98-07	806	12,337

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.11			108.11	108.00	2608	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Dec 8	Day's change %	Wed Dec 7	Accrued interest	xd adj. ytd		Low coupon yield Dec 8	Dec 7	Yr. ago	Medium coupon yield Dec 8	Dec 7	Yr. ago	High coupon yield Dec 8	Dec 7	Yr. ago
1 Up to 5 years (24)	120.29	+0.09	120.17	2.51	9.83	5 yrs	8.52	8.56	6.62	8.54	8.56	5.88	8.71	8.74	5.96
2 5-15 years (22)	140.34	+0.24	140.34	2.17	11.82	15 yrs	8.41	8.43	6.52	8.56	8.57	6.63	8.76	8.78	6.83
3 Over 15 years (8)	157.13	+0.03	157.07	2.25	12.05	20 yrs	8.37	8.38	6.61	8.55	8.57	6.65	8.66	8.67	6.85
4 Irredeemables (6)	178.33	-0.16	178.62	1.31	13.71	Irred.†	8.45	8.43	6.74						
5 All stocks (60)	137.56	+0.15	137.51	2.34	11.27										

Index-linked							Inflation 5% Dec 8	Dec 7	Yr. ago	Inflation 10% Dec 8	Dec 7	Yr. ago
6 Up to 5 years (2)	186.74	+0.01	186.73	0.93	5.07	Up to 5 yrs	4.07	4.07	1.97	2.90	2.89	1.16
7 Over 5 years (11)	173.69	+0.07	173.57	1.39	4.36	Over 5 yrs	3.90	3.90	3.03	3.71	3.71	2.88
8 All stocks (13)	174.16	+0.07	174.04	1.34	4.41							

Debentures and Loans						5 year yield Dec 8	Dec 7	Yr. ago	15 year yield Dec 8	Dec 7	Yr. ago	25 year yield Dec 8	Dec 7	Yr. ago
9 Debs & Loans (77)	128.28	+0.17	129.04	2.04	10.80	9.49	9.52	7.24	9.44	9.46	7.62	9.39	9.41	7.76

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 2	Yr ago	High*	Low*
Govt. Secs. (UK)	91.65	91.57	91.50	91.89	92.12	108.31	107.04	89.54
Fixed Interest	109.48	109.37	109.52	109.82	109.56	129.49	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 7	Dec 6	Dec 5	Dec 2	Dec 1
Gilt Edged bargains	120.8	95.8	92.3	100.7	120.8
5-day average	108.1	107.1	116.8	127.4	138.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 8

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					

OTHER STRAIGHTS

FLOATING RATE NOTES

CONVERTIBLE BONDS

[illegible]

UK GILTS PRICES

[illegible]						

Other Fixed Interest

[illegible]

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A 'meaningful' final dividend forecast if recovery continues

LIG back in black with £1m

By Peggy Hollinger

London International Group, the condoms and gloves manufacturer, yesterday heralded a return to the dividend list as it swung back into the black with interim pre-tax profits of £1m, against losses of £5.1m last time.

Mr Nick Hodges, chief executive, said LIG intended to pay a meaningful final dividend if progress achieved in the first half continued.

"It will not be a nominal dividend," he said, "but nor will we be looking to return to the levels of previous years." Dividends in future would be covered at least twice by earnings.

LIG came close to collapse last year as a result of its disastrous foray into photo processing, a business which has since been sold. In the year to March, the company incurred losses of £174m. It was then forced to call on shareholders for £115m to repair the balance sheet.

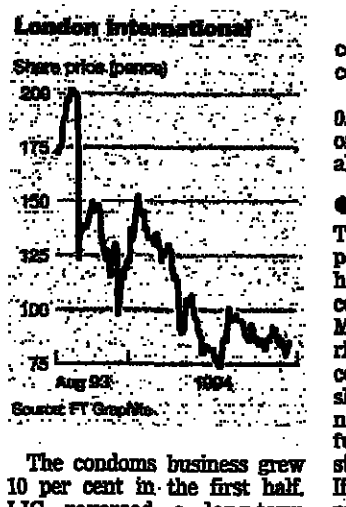
Mr Hodges said LIG was not yet out of the woods. While the right steps had been taken, he said, "we now have to prove that we can grow the business organically and deliver the profits everyone is expecting of us".

LIG's return to profit in the first half showed it had made good progress, Mr Hodges said. Costs had been cut, with staff numbers down from 10,250 to 4,360, and operating cashflow had improved. LIG was on track to achieve net margins of about 15 per cent by 1996.

Operating profits for the six months to September 30 had also almost doubled from £2.4m to £4.7m.

Sales fell by 18 per cent from £197.1m to £161.4m because of the sale of the photo business. Excluding discontinued businesses, sales rose by 5 per cent to £130m.

At the pre-tax level, profits were helped by a £1.6m drop in interest charges to £5.9m and the exceptional £2.2m gain on the sale of the Wright's Coal Tar Soap business.



The condoms business grew 10 per cent in the first half. LIG reversed a long-term decline in the US by adding 1 percentage point to its market share, giving it 24 per cent. Mr Hodges was optimistic of further progress after the launch of the new Avanti condom, made of polyurethane.

The surgical gloves division improved sales by about 31 per cent.

Gearing fell from 137 per cent at the year end to 69 per cent.

Earnings per share were 0.32p, against losses last time of 3.93p. The shares closed 5p ahead at 85p.

● **COMMENT**

This appears to be the turning point for a company that has had somewhat of a roller-coaster ride over the last year. Management is taking all the right steps and the value of the core businesses is beginning to show through. The question now will be whether LIG can fund the promotion of its strong brands internationally. If it cannot, then with a share price still a long way from last year's 272p it is vulnerable to takeover. These results, however, may be the first indication that LIG should be given the chance to go it alone. Forecasts are for between £13m and £15m this year, with an equally wide dividend range of 0.5p to 1p. On the low-end p/e of 33 times this is still only a stock for the risk-takers. However, those already in might want to hang on for what could be an interesting ride.

Misys and RM talk over new proposal

By Christopher Price

Research Machines and Misys were locked in talks last night over a new proposal from the latter for the educational computer group.

Misys, the acquisitive computing services company, made an initial approach on Wednesday afternoon, making a conditional £38m cash offer of 235p a share for RM, which is due to come to the market in the next two weeks.

RM – its shares are likely to be priced at about 170p – rejected the Misys offer out of hand, saying it seriously undervalued the company and that the cultures of the two groups were too different.

Misys' second proposal, tabled yesterday, is thought to involve it taking a significant stake in RM. Neither company was available for comment.

RM's flotation is set to raise £30m, although none is to be new money for the company, which has about £6.5m in the bank. The intention is to improve the profile of the 21-year-old company, which is relatively unknown outside the UK education market.

Last year, RM reported pre-tax profits of £2.52m on turnover of £66.2m.

Shares slide as Fine Art sees 'difficult' trading

By Peter Pearse

Shares in Fine Art Developments tumbled 44p to 376p yesterday as the mail order and greetings card group reported disappointing profits for its first half and warned that trading conditions remained "extremely difficult".

In the six months to September 30, profits rose 5 per cent to £5.78m (£5.51m) pre-tax on turnover ahead 6 per cent at £122.3m (£115.4m).

Mr Keith Chapman, chairman, singled out the charities and wholesale businesses as the weakest performers. However, he stressed that in the past strong parts of the group had more than counterbalanced "the odd problem here and there". This time, trading conditions and the downturn in consumer spending meant there had been no "good performers" to offset the laggards.

On the charities side, turnover fell 23 per cent. Rwandan appeals, the public's move towards local rather than national charities, and the cataloguing, products and pricing policies of Fine Art's charities had all had an impact.

The wholesale side of the card and paper products division had been hit by the change in Sunday trading laws, which were squeezing independent shops. Mr Chapman expected it would be "some time before we get back to where we were". However, last year's management and systems problems which had affected deliveries in the direct-to-retail side – supplying supermarkets and large chains – had been sorted out.

On the plus side, in Express Gifts the group has reduced the cost/sale ratio, cut the agency base, improved the conversion to customers rate, and introduced structured credit.

The mail-order educational business performed well, lifting turnover 10 per cent. Mr Chapman stressed that this rise was achieved at a time when many schools were not fully using their budgets.

The interim dividend is raised to 3.5p (3.3p) payable from earnings of 4.97p (4.87p) per share.

● **COMMENT**

Is Fine Art accident-prone or simply buffeted by forces beyond its control? Some say a raft of influences – Sunday trading laws, changes in the pattern of the public's charity giving, the National Lottery – have compounded an already depressed trading environment. Problems lurking round the corner include raw material price rises and consumer resistance to more expensive cards and paper products. However, from a lower base things are expected to improve, or at least not get worse. Forecast pre-tax profits for the current year have been scaled back from £42m to £39m, or earnings of about 32p, for a multiple of about 11.7. At the current price that is a decent discount to the market, but the shares will not be going anywhere for a while.

Former Medeva directors join lossmaking Hewitt

By Richard Wolffe

Shares in Hewitt Group rose 60p to 158p yesterday after the lossmaking industrial ceramics company appointed two former Medeva directors to the board.

Hewitt also announced a rescue rights issue to raise a maximum of £4.3m as the company revealed that its accounts to December 31 would breach its banking convenants.

The company, which reported £2.34 pre-tax losses at the half-year stage, named Mr Ian Gowrie-Smith as non-executive deputy chairman and Mr David Lees as chief executive.

Nine months ago, Mr Gowrie-Smith resigned as managing director of Medeva, the acquisitive pharmaceuticals group which he founded. Mr Lees also resigned as finance director.

"We are very excited to be involved with such a promising company which has good potential," Mr Gowrie-Smith said.

"It is not commonly appreciated that David and I spent years developing an industrial and engineering group, so for us it is like returning to our roots after so many years devoted solely to the pharmaceutical sector."

David Lees (left) and Ian Gowrie-Smith: "returning to our roots after so many years devoted solely to the pharmaceutical sector"

Hewitt proposes a 1-for-1 rights issue of 3.39m shares at 68p to raise about £2m after expenses. If the issue is fully subscribed, the company plans additional equity capital to raise a further £2.3m.

The company also proposes to allocate three warrants attached to every 10 rights shares. The warrants can be exercised six months after issue at 68p a share.

The rights issue is underwritten by brokers Hichens Harrison, and Summervale, which is controlled by Mr Gowrie-Smith's family. Summervale will be left with a minimum stake of 33 per cent and a maximum of 45 per cent.

The cash raised will be used to repay borrowings and fund working capital. Losses on Hewitt's German activities resulted in a £2m write-down of assets and other costs at the interim stage.

The rights issue is subject to an extraordinary meeting on January 10, and dealing is expected to begin the following day.

Travis Perkins sells subsidiary for £11m

Travis Perkins, the building materials group, has sold its Kennedys Garden Centres subsidiary for £10.8m cash in a management buy-out.

A new company has been formed to make the acquisition. Mr George Bullivant, managing director of Kennedys, will be managing director of the new company, which will keep its original name. The consideration is subject to a revision of up to £1m, to be decided on completion.

Rap shares at 145p on first day trading

Shares of Rap Group, the rubber and plastics distributor, traded at a 3p premium to the flotation price of 142p on the first day of dealings yesterday. Market capitalisation at placing price was £15.1m, with £3.55m being raised.

Union £4m deal to aid futures

By Peggy Hollinger

Union, the financial services group, is restructuring its lossmaking futures business via an acquisition which it claims will create one of the few large independent derivatives broking businesses in the UK.

Union is buying CAL, a foreign exchange trader, derivatives broker and fund managers, for £2.8m in cash plus £1.4m in convertible loan stock.

The complex deal in effect amounts to a £150,000 premium to net assets and a three-year earn-out. The loan stock can be converted at rates which depend on profits achieved over three years. The number of shares available for conversion is limited to 5 per cent of the enlarged company a year.

Mr George Blunden, Union's chief executive, said the deal limited the downside for his company. If the maximum earnout payments were made, he would be "deliriously happy", as this would represent a substantial jump in profits.

Union would merge its own derivatives operation, which focused on low margin, high volume execution business, with CAL's higher margin broking business.

The integration was expected to result in exceptional costs of between £1.8m and £2.3m. The business was expected to break even in the first half, due to restructuring costs.

Last month Union issued a profits warning, due to the low volumes in its markets. Analysts, who had been expecting profits of £6m at the beginning of the year, revised forecasts to losses of £1.5m. These will now be higher due to the restructuring charges.

Insurers left adrift after losing their selling ties

The future for Standard Life and Guardian Royal has been doubly disrupted. Alison Smith reports

Many life insurance companies feel they have taken a battering over the past year or so.

Sales have been hit by public concern about standards of selling, and the sector faces a heavy task in identifying and compensating the victims of bad advice to buy personal pensions.

Companies are also redesigning their policies and, in some cases, cutting margins ready for the new regulatory regime requiring them to disclose more information to customers about products and charges.

Against this generally bleak background, two life companies – Standard Life, the UK's largest mutual life insurer, and Guardian Royal Exchange, the composite insurance group – face a particular "double whammy" in how they sell their policies.

Both are losing the links which allowed them to sell through the branch networks of the UK's two biggest building societies. At the same time competition among insurers to sell through independent financial advisers, their other main sources of sales, is intensifying as the number of advisers falls.

In September last year Halifax, the UK's largest society, said it was ending its tie with Standard and setting up its own life insurance and unit trust subsidiaries. These will become operational in January.

This spring, Nationwide Building Society announced it was to stop selling Guardian policies and setting up wholly owned life and unit trust operations, which are due to open in the middle of next year.

In each case, the insurer is saying goodbye to a substantial amount of business. Halifax is thought to provide about 20 per cent of Standard's new life business. For Guardian the blow is even more serious. In 1993, 30 per cent of its new life business came through Nationwide.

Although clearing up after the personal pensions debacle and meeting the rising cost of regulators' requirements are taking their toll of independent advisers, both Standard and Guardian sound optimistic.

"While the sector will probably shrink in terms of the numbers of independent adviser companies, with smaller ones going to the wall, I don't think that necessarily means their share of the market is bound to decrease," said Mr Richard Wood, marketing director of Guardian. "Those which survive will become more efficient and get more customers."

Mr Tom King, sales general manager at Standard Life, said those leaving the market may represent only about 2-4 per cent of the premium income generated by independent advice.

However, the departures, and the pressures leading others to join together to share costs, are concentrating the market in the large firms and networks of independent advisers, which can decide on a panel of six to eight life companies from which their advisers can choose for any particular product.

"If you're not on the panel you're wasting your time going out to individual advisers," said Mr King. "An individual adviser would have to come up with a special reason for ignoring head office."

Standard said it was well placed to be on panels. Guardian admitted it had a problem.

"We are on virtually all panels for protection policies such as critical illness cover," said Mr Wood. "But our investment performance has made it more difficult to get on to panels for investment policies."

He believed Guardian's future would be helped by strong general insurance product and other new policies being developed.

New policies are part of Standard's plans as well. Its announcement last month that it would provide better early surrender values for long-term policies, while continuing to pay commission as now to advisers, was seen by competitors as an aggressive move to grab market share.

But the distribution squeeze also means both companies are gradually building up direct sales forces.

Guardian's direct sales force is now growing slowly, after falling to 180 from its peak of more than 1,000 in 1990. Standard's direct sales force has grown from nothing in 1990 to 330.

Mr King said that in three to five years time he would like direct sales to generate about 25 per cent of new business. The aim would be to run on the same cost basis as sales through independent advisers, but Mr King admitted that this had not yet been achieved.

Though the plans for larger direct sales forces make sense in terms of expanding distribution, both companies are embarking on them as regulation makes running sales agents more expensive. And the new disclosure requirements together with the generally low levels of investment returns make controlling costs more important.

If Standard and Guardian can come through these immediate pressures, they will be well-placed for the following years when the prospects for new business are likely to improve. Even so, it is a test neither would have sought.

Shares fall 6% after downward revision of margins prediction

Racal Electronics rises to £23m

By Simon Davies

Racal Electronic's share price fell 6 per cent yesterday, after the company revealed that it would fall substantially short of its stated target for profits from its data communications division this year.

In June, the communications, radio and network services group predicted profit margins of "well over 5 per cent" for the division, on about £400m of revenue.

It admitted yesterday that margins were more likely to be 4 per cent, and most analysts reduced full year profit forecasts from £70m to £60m. The shares closed 13p lower at 203p.

For the six months to October 14, Racal reported pre-tax profits of £23.5m compared with losses of £400,000, after taking account of a £26.8m loss from discontinued operations.

The company has been restructuring its data communications business, which had over-extended in a highly competitive market. However, poor data product sales in Germany and Italy, combined with difficulties in merging two manufacturing operations in the UK, have reduced projected profits.

It has made significant advances in network services, which will benefit from the National Lottery contract, and provide a steadier revenue stream. However, divisional operating profits fell from £2.93m to £834,000.

At the year end, Racal will have spent £10m on a restructuring, reducing staff by 400 to 11,200, which will benefit the second half.

Group turnover rose to £487.3m (£430.2m), including £4.91m from acquisitions and £3.78m (£14.4m) from discontinued activities. Operating profits from continuing operations increased from £24.7m to £25.2m, including £993,000 from acquisitions.

Marine and energy division sales suffered from the impact of a weak oil price, and profits fell from £7.54m to £3.48m. However, specialised businesses profits grew by 51 per cent to £13.5m (£8.95m).

There was a net cash outflow of £64.5m, reflecting acquisitions, and costs associated with the National Lottery but it should be cash positive in the second half.

At the interim stage gearing was 14.3 per cent, against 10.4 per cent 12 months earlier.

The interim dividend is raised to 1.75p (1.5p) from earnings of 5.71p (losses 0.07p).

● COMMENT

The danger of giving profit forecasts is that investors get upset when they are not reached. It is hardly surprising that Racal's failure to achieve its own targets should swamp some positive factors in its performance. On reduced forecasts of £60m for 1994-95, Racal is on a p/e of 15.1. If management is right, profits could hit £78m next year, leaving the shares at a discount to the market. But credibility is hard to win back, and Racal operates in tough markets, with the pressures of developing a steady stream of products with short lifespans. The lower rating looks deserved.

Smith New Court down 35% but shares up sharply

By Christopher Price

Difficult conditions in the financial markets sent pre-tax profits at Smith New Court, the equities market maker and broker, down 35 per cent from £31.3m to £20.2m for the six months to October 28.

However, Smith shares, which fell initially on the news, rallied sharply following the announcement of merger talks between SG Warburg and Morgan Stanley, amid speculation that it could become similarly involved.

Mr Michael Marks, chief executive, refused to comment on Smith's intentions in this direction. But he predicted that there would be further consolidation in the securities industry. "We are beginning to see the second big fall-out from Big Bang. As we move towards globalisation of world markets, further mergers and acquisitions are inevitable," he said.

Smith shares ended the day 23p ahead at 396p.

The first-half results were undermined by significantly lower trading volumes in the group's south-east Asian markets, with some down 70 per cent year on year. These were compounded by levels in the London market down by 20 per cent. Smith blamed lower institutional demand for the decline, which in turn was a consequence of investor concern over volatility and rising world interest rates.

Mr Marks described the group's overall performance as "satisfactory", with all areas of business staying in profit. He added that while the group was seeking to identify areas in which to save costs, large-scale staff cuts were not under consideration: "Our customers expect a high level of consistency from our service and we have to maintain that."

Return on capital was 17.5 per cent compared with 36.6 per cent. Earnings per share fell from 44.4p to 19.3p and from 25p to 14.4p on a fully-diluted basis. The interim dividend is maintained at 2p.

The lower level of trading activity was also reflected in a lull in Smith's overseas expansion with no new offices opening. But the company confirmed it was seeking to become a full member of the Tokyo stock exchange when a seat becomes available.

Scottish Hydro-Electric declines 23% to £35m

By David Lascelles, Resources Editor

Scottish Hydro-Electric, the northern Scotland power generator and distributor, saw profits fall in the first half because of regulatory price changes and the cost of government debt redemptions.

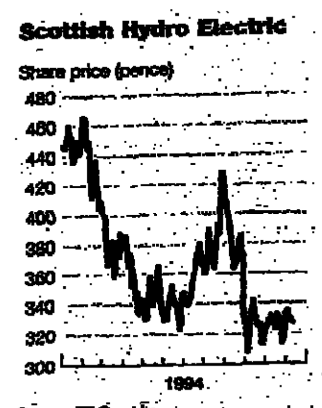
However, the company's sales in England and Wales rose sharply, cushioning the impact on the results.

Pre-tax profits in the six months to September 30 fell 23 per cent from £45.6m to £34.9m.

The interim dividend was raised by 10 per cent to 4.34p (3.96p) in line with policy of lifting the pay-out by between 6 and 8 per cent in real terms.

Earnings fell by 25 per cent to 6.57p (8.81p). However, the company said the underlying growth was 18.5 per cent.

Mr Roger Young, the chief executive, said that revenues in Scotland were reduced by a new regulatory requirement which will cut the generation component of prices in stages over the next four years. By 1998, the prices should be in line with the Great Britain yardstick (GBY), which represents the actual price paid for electricity by regional distributors in England and Wales. The effect in the first half was £3m.



Source: FT Graphite

Hydro also redeemed £116m of government debt, at a premium of £18.8m, but this will result in cheaper borrowing.

Offsetting these factors was strong sales growth south of the border, where Hydro has three projects which are beginning to produce results.

"The strategy of expansion in England, which we've talked about for some time, is coming through quite strong now," said Mr Young. By next year, 15 per cent of generation capacity will be in England.

Hydro-Electric is the only electricity company which did not accept the price formula proposed earlier this year by Offer, the industry regulator. Offer has referred the proposal to the Monopolies and Mergers Commission. Mr Young said discussions had begun with the MMC, but it would be several months before the outcome was known.

● COMMENT

The factors shaping these results had been well flagged, and they contained no surprises. The big question mark hanging over the company is the MMC inquiry. Although Hydro is thought to have a strong case for rejecting the Offer formula because of its unusually dispersed market, its commitment to an annual dividend increase of 6-8 per cent in real terms suggests that the cost of serving this market will not impact unduly on earnings. But until this uncertainty is resolved, the shares are likely to show a yield above the sector average.

Hartstone at £2.6m in difficult trading

By Richard Wolffe

Lower interest costs underpinned a six-fold increase in pre-tax profits at Hartstone, the hosiery and leathergoods group, in the six months to September 30.

However the company, which launched a £30m rescue rights issue this year, experienced "difficult" trading conditions in its leathergoods markets in the US and the UK.

Group sales fell to £111m (£185.1m) as turnover from continuing operations declined by 8 per cent. Operating profit were lower at £5.65m (£5.82m). However the pre-tax figure rose to £2.65m (£428,000), after interest costs fell from £5.39m to £3m.

Mr Shaun Dowling, chairman, said: "Customers are leaving purchasing decisions fairly late in the year, while retailers are pretty conscious about margins and are also ordering stock late."

The rights issue helped to reduce gearing from 298 to 39 per cent at the end of November, as net borrowings fell from £127.3m to £39m. The company hopes to be ungeared within 18 months.

The core US leathergoods business, Etienne Aigner, reported operating profits down 38 per cent to £4m (£6.5m), as unsold stock was sold at discount prices. The company intends to expand its chain of factory outlet stores from 54 to more than 60.

Operating profits at Michael Stevens, the handbags supplier, fell to £1.5m (£1.6m) as it withdrew from vinyl goods at the bottom end of the market.

The UK leathergoods business reported operating losses of £1.9m. Hartstone now plans to contract out its UK distribution and cut staff from 199 to less than 60 next year.

The hosiery division reported a 20 per cent rise in operating profits to £1.2m (£1m), including a contribution from Cogetex which was sold to Courtaulds Textiles for £45m this year.

Earnings per share rose to 1.1p (0.3p). There is no interim dividend, but the board hopes to recommend a final of 0.32p.

Trident steps up its Lloyd's involvement

By Ralph Atkins, Insurance Correspondent

Trident, a Bermuda-based company investing in insurance and reinsurance, has increased its involvement in Lloyd's of London by providing funds for a new company investing in syndicates run by Venton managing agencies.

Trident was formed a year ago by Marsh McLennan, the world's largest insurance broker, J P Morgan, Mid Ocean, a Bermuda reinsurance company, and Byrne Sons, a small investment bank.

Venton has raised a total of £18.5m in corporate capital to invest in three insurance syndicates via two vehicles, one capitalised exclusively by Trident. Venton has not disclosed how much Trident, which is also connected with the Hiscox managing agencies, has invested.

Wellman in black aided by margins

Wellman, the specialist engineer, returned to pre-tax profits in the six months to the end of September.

During the period the company increased in size fivefold by the £46m acquisition of businesses from FKI. However Mr Geoffrey Iley, chairman, said that the biggest impact on the figures was the improvement in sales and margins at the existing businesses.

Profits were £1.88m pre-tax, against £527,000 losses from turnover of £36.6m (£9.87m). Acquisitions provided operating profits of £854,000 on turnover of £11.3m for the period from August 13. Existing activities reported turnover up 55 per cent and operating profits of £1.07m (£454,000 losses).

At the end of the period the company had net cash of £2.7m. Gearing stood at 36.4 per cent 12 months earlier.

From earnings of 2.7p (losses 1.8p) the interim dividend is lifted to 0.4p (0.3p).

Benson makes £2.4m foam buy

Benson, the engineering group, is acquiring Designstart, which trades as Stadex Industries, for £2.43m, from Thama Holdings.

The consideration will be met by the sale of Benson's agricultural vehicles spares business to Thama for £1.36m and the issue of 12.6m new shares to Thama. There is also a contingent consideration of up to £150,000 depending on the availability of tax losses.

Stadex, the largest maker of rubber latex foam in the EU, achieved pre-tax profits of £67,000 in the 10 months to October 31, having been loss-making in the previous three years. Net assets at December 31 1993 were £2.25m.

Benson also announced the sale and leaseback of two properties which generated about £1.5m in cash, realising a profit of about £200,000.

The directors of Benson said it was their intention to increase the interim dividend by 20 per cent to 0.12p as sales for the half year to November 30 were "significantly ahead" across the group.

Sep rises 81% and makes Dutch buy

Sep Industrial Holdings, the engineering group, reported an 81 per cent rise in full-year pre-tax profits and announced the acquisition of Fastening Driebergen of the Netherlands for £1.28m in shares and cash.

Sep estimates that Fastening Driebergen, which makes fasteners and fixings, will incur a trading loss of £146,000 on turnover of £2.9m for 1994. Net assets at end-1993 stood at £698,000.

Exceptional profits of £689,000 from disposal of assets helped lift Sep's pre-tax outcome from £2.08m to £3.77m for the year to September. Sales rose to £43.3m (£37.7m). Earnings per share including exceptionals were 4.03p (2.87p). A final dividend of 0.6p (0.45p) gives a total of 1.05p (0.8p).

TGI up 40% aided by margins

Continuing focus on margins helped TGI, the loudspeaker systems group, to increase pre-tax profits by 40 per cent on turnover 5 per cent ahead for the half-year ending September 30.

The £703,000 (£501,000) result was struck on sales of £18.2m (£17.3m).

Earnings per share worked through at 2.8p (2p).

The £725,000 settlement made to the group during the period by its previous auditors has been used to reduce the goodwill written off on acquisition of the Audix companies in 1989.

The board has declared an interim dividend of 0.85p (0.6p).

Mirror purchase

Mirror Group has paid £27.3m for a long leasehold on its former headquarters at 33 Holborn, London. It will be held for either resale or redevelopment. Planning permission has been granted for a new office building on the site. Under an agreement with the estate of Mr Robert Maxwell, the group was committed to paying an annual rent of £6.1m until 1998.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Compass	fin	4.56†	Mar 24	8.56	6.87	12.79
Cook (DC)	int	0.45	Jan 23	0.3	-	1
Drayton Recovery	fin	4	-	4	8	8
Eve §	int	3	Mar 23	3	-	11
Fine Art Devts	int	3.5	Jan 25	3.3	-	14.3
GUS	int	4.5	Mar 29	4	-	13
Racal Elec	int	1.75	Feb 10	1.5	-	4.25
Scottish Hydro	int	4.34	Mar 22	3.96	-	12.84
Sep Industrial	fin	0.6	Apr 6	0.45	1.05	0.8
Smith New Court	int	2	Feb 19	2	-	10
TGI	int	0.85	Jan 31	0.6	-	2
Throgmorton Dual	int	1.75	Jan 30	1.75	-	7.1
Titon §	fin	3.1	Feb 17	2.9	4.5	4.2
Vega Group	int	1.4	Feb 14	1.04	-	3.115
Wellman	int	0.4†	Feb 10	0.3	-	0.9
Windsor	fin	0.5	Mar 23	nil	0.5	nil
Worthington	int	0.7	Apr 3	0.6	-	1.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

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Acquisition of last of London Regional Transport's bus franchises

Cowie cash call for £16.3m buy

By Simon Davies

Cowie Group, the car leasing and motor trading company, yesterday became London's largest bus operator, through the purchase of the last of London Regional Transport's 10 franchises, South London.

The company is to raise £33.1m from a rights issue to fund the £16.3m acquisition, which follows Cowie's recent £29.9m purchase of Leaside Buses, based in north London.

The 1-for-8 rights issue is priced at 190p. Cowie's share price rose 6p yesterday, to close at 224p.

The group will now operate 1,000 local London buses. It has forecast that its bus and coach businesses – including Hughes Daf, the bus distributor, and Grey-Green bus and coach operator – will account for 25 per cent of next year's profits.

Mr Gordon Hodgson, chief executive, described South London as a "distressed sale". It has been threatened with the loss of its licence if it does not improve vehicle maintenance standards by April 30. He is confident this can be achieved.

The franchise made £23,000 profits on £18.8m turnover last year. However, a programme of fleet renewal will substantially lower maintenance costs.

In addition, management will be centralised to cover Cowie's two London franchises, taking out more costs. Cowie is targeting 15 per cent operating profit margins, representing profits of £2.8m.

Mr Hodgson said Leaside was already achieving double digit margins, compared with the 1.4 per cent achieved last year.

The consideration for South London includes the payment of £6.2m of intra-group loans and goodwill of just £1.4m.

Cowie also announced that pre-tax profits for 1994 would be at least £41m and that it would propose a final dividend of 6.4p, making 9.125p for the full year, up from 7.85p.

Mr Hodgson said the group was looking to build up its bus operations in the UK further. "We don't intend to stop here." The group gets the additional benefit of selling new vehicles through its distribution arm.

● **COMMENT**

Yesterday's rise in Cowie's share price was a fitting response to an astute realignment of the group. Motor retailers are hitting harder times, and their shares have acted accordingly. But by the end of next year, Cowie will make more money from buses than from car sales. Bus operators benefit from substantial economies of scale, and with three London operations, margins should rise sharply. Meanwhile the finance business continues to perform well, making up for flat car sales. On the company's own forecast, the shares are on a 1994 p/e of 9.8. Profits should reach £50m next year, representing a 9.5 p/e. Given the higher quality of earnings, and the management performance at Leaside, they offer good value.

Acquisitions help Compass to £55.7m

By David Blackwell

Compass, the catering and healthcare group, lifted profits by a third and turnover by 85 per cent on the back of acquisitions in Europe and the US.

Pre-tax profits for the 53 weeks to October 2 rose from £41.5m to £55.7m on turnover ahead from £497m to £917.9m. Acquisitions contributed £216.2m to the latest sales figure. The figures include the first full year from Scandinavian Service Partner, the European caterer, and 15 weeks from Canteen Corporation, the third largest US caterer bought for £311.7m in early summer.

Mr Francis Mackay, chief executive, said the acquisitions had settled in comfortably and were performing well. "There are no surprises and no black holes," he said of Canteen. "If anything we feel more optimistic about the prospects than when we acquired it."

Shares in the group closed yesterday 5p down at 330p, still well ahead of the 270p of the 6-for19 rights issue that raised £146m towards buying Canteen.

Earnings per share rose from 17p to 19.2p. The board is proposing to lift the final dividend to 4.56p (4.06p), taking the total for the year to 6.75p (6.06p).

The acquisition of Canteen almost doubled the catering division's turnover to £851.2m, yielding operating profits of £48.4m (£33.7m). Margins fell from 7.7 to 5.7 per cent.

European catering turnover rose almost fourfold to £196.5m, and profits rose to £10.8m from £2.9m. Again, margins were easier at 5.5 per cent (5.8 per cent.)

In the UK profits edged ahead to £31m on sales of £456.1m (£382.2m). The group estimated that the 23 days of the rail strike cost it £1.7m in lost profits. After adjusting for the rail strike, margins declined from 8 per cent to 7.1 per cent. The lower margins reflected the effect of the new businesses, said Mr Mackay. Underlying margins were moving forwards.

Margins at Canteen were flat at 3.3 per cent, which the group believes indicates a bottom. It believes it can lift US margins, which are generally lower than those in Europe, to 5 per cent in the next three or four years.

In contrast the healthcare group margins are more than 21 per cent. Sales and profits from the group's 15 hospitals were up 10 per cent at £66.7m and £14.4m respectively.

Net debt at the end of the year was up from £34.3m to £213.4m. Interest payable rose from £5.3m to £7.1m, covered 8.8 times.

Francis Mackay: 'there are no surprises and no black holes'

● **COMMENT**

The City was looking for reassurance following the bold acquisition of Canteen. Compass is acting swiftly, building up its management teams, relocating the headquarters, investing in new systems, and getting out of loss making contracts. There appears no reason to doubt that margins have bottomed out. The group is now well positioned to take advantage of good growth opportunities in three big markets, so further large scale acquisitions can be ruled out. Pencilled-in profits this year are £75m, with earnings more than 20 per cent higher at 23.5p. The prospective multiple of just over 14 still looks attractive for a group with so much still to go for.

Hill Hire finally floats at 94p per share

It was third time lucky yesterday for Hill Hire, the commercial vehicle rental business as it finally announced its placing price of 94p per share, for a value of £25.5m, which is 2 per cent less than original estimates.

The company, being floated by Birkby, the business property manager, had suffered two successive days of delay primarily because of market fluctuations.

Birkby is to retain a 44 per cent holding worth £11.2m. It is also selling Ember Rental, its other vehicle hire arm, to Hill Hire for £2.7m. The two operations had net assets of about £5.3m at the end of September.

Despite the delay Birkby is pleased with the float, surpassing the group's initial predictions of a placing in 1997.

Mr Bill Cran, Birkby chief executive, said: "It's a sign of [Hill Hire's] strength that it has gone in a market that's not particularly brilliant."

The placing will raise about £6.4m net for Hill Hire which will be used to repay an estimated £2.1m owed by Hill and Ember to Birkby and finance expansion.

Birkby will gain estimated cash proceeds of £8.7m net from the transaction, before a payment relating to the variation of the original acquisition deal for Hill Hire. Hill Hire was founded in 1990 by its current executive team and acquired by Birkby last year for £6.5m.

For the year to March 31 1994 Hill Hire made pre-tax profits of £1.57m (£750,000) on turnover of £6.8m (£5.1m) and Ember made pre-tax profits £189,000, against losses of £100,000 for the previous 14 months, on turnover of £3.7m (£3.9m).

Hill Hire will have some 2,050 vehicles within its newly formed operation and seven sites, prior to the new development, neatly sitting around the M62 corridor.

Julian Hodge rises 12%

By Roland Adburgham, Wales and West Correspondent

Julian Hodge Bank, the family-owned Cardiff concern specialising in commercial and industrial lending, improved pre-tax profits by 12 per cent to a record £9.16m in the year to end-October, compared with £8.13m.

This included a surplus of £2.69m on the sale of investments. Operating profits rose 36 per cent to £6.46m (£4.75m).

Mr Jonathan Hodge, chairman, said that despite a difficult environment for new business, the bank had increased its asset base by nearly 15 per cent to £127m while maintaining a high degree of profitability.

Each of the core businesses had continued to make a significant contribution.

Institutions contribute to MPE fund-raising

By Richard Gourlay

Montagu Private Equity has raised £170m from four UK and continental European institutions and £250m from HSBC Group, its parent, for investment in unquoted companies.

Montagu intends to raise £500m in what it is calling a Private Equity Partnership Scheme. HSBC is committed to invest at least as much as each co-investor in every deal.

This is the first time that Montagu Private Equity (MPE) has raised this amount of capital from institutions other than its parent and signals HSBC's intention to increase its presence in private equity investment.

The move confirms MPE as one of the UK's three largest providers of private equity capital.

The new funds will add to the weight of new money raised by UK venture capital and management buy-out financiers recently. The British Venture Capital Association says that in the eight months to August, UK fund managers have raised over £2bn – more than three times as much as in the whole of 1993.

MPE's investors committed the funds for five years, but Mr Ian Forrest, its managing director, said he hoped to develop a long-term investment partnership with this small number of investors.

Mr Forrest said these institutions had not been significant investors in private equity before.

MPE has invested about £100m a year recently and intends to continue to invest at a similar rate. "We are saying we have a lot of money for this class of asset and the ability to be a long term partner (with businesses)," Mr Forrest said. "HSBC is saying this is a core businesses for investment banking."

The fund raising not only increased MPE's management fees, but also provided the firepower to underwrite the total equity requirement of any transaction.

Greycoat makes £3.5m and focuses on offices

By Simon London, Property Correspondent

Greycoat, the property developer which raised £47m from a rights issue in June, has returned to the black with interim pre-tax profits of £3.5m, against a £43.5m loss previously.

The company, which was rescued from the brink of collapse a year ago and has since restructured its board of directors, also said that it planned to concentrate on developing offices in central London.

Mr Peter Thornton, managing director, said office buildings were likely to outperform retail or industrial premises in a relatively low growth, low inflation environment.

In central London, demand for modern space far outstripped potential supply, the company said. It expects its investment to deliver an annual total return of about 11 per cent until the end of the decade.

Greycoat has an interest in three large central London development sites:

- Paternoster Square, next to St Paul's Cathedral, where planning permission has been granted for 750,000 sq ft of offices. The company is attempting to arrange funding with institutional investors for the £375m development and hopes to start work by the middle of next year.
- Moor House in the City, which will not be considered for redevelopment until 1997, when break clauses in existing leases come into effect.
- Victoria Interchange, adjacent to Victoria Station, where Greycoat will next year submit a planning application for 275,000 sq ft of offices. However, rents have to rise significantly before development is worthwhile.

Mr Thornton said Greycoat was in talks which could lead to the acquisition of an interest in two or three additional development sites.

In the six months to September 30, gross rental income fell from £20.1m to £16.7m, although last year's figure included £4.9m rent from Britannic House in the City, which has since been sold.

Included in this year's figure is £2.1m rental income from 123/151 Buckingham Palace Road, where Greycoat took full control in August. In a full year, rental income from the building should be £13.3m.

Administrative costs were unchanged at £1.7m. Last year's interim loss included £5.7m expenses relating to the rescue package.

Mr Michael Beckett, who took over as non-executive chairman in September, said the company was committed to keeping administration costs steady in real terms.

Profits from the sale of two investment properties in London and Newcastle contributed £2.8m, against a loss on disposal of £35.2m in the first half last year. Finance costs fell to £12m (£21.2m).

Earnings were 3p, against a loss of 228.7p, adjusted for the rights issue. The company is not paying an interim dividend, but expects to declare a final dividend of 0.6p.

Drummond rises to £393,000

By Ian Hamilton Fazey, Northern Correspondent

Drummond Group, the clothing fabrics manufacturer, achieved a 6 per cent increase in interim pre-tax profits from £370,000 to £393,000 on a 12 per cent rise in sales to £25.8m.

This is Drummond's third consecutive set of improving results since it reported a loss of £3.38m for the year to March 31 1993.

At the operating level, profits to September 30 were 43 per cent ahead at £670,000 (£469,000). In the comparable period there was £196,000 profit on the sale of a discontinued operation.

The result was helped by lower interest charges of £277,000 (£295,000).

The board was still cautious enough to pass the dividend, but Mr Stefan Simmonds, chairman, said a final dividend was likely if recovery continued as planned.

Drummond recruited Mr Zvika Pollak, an Israeli, as chief executive three years ago, and embarked on a vigorous investment programme at the James Drummond worsted mill in Bradford.

It was now investing in efficiency improvements at John Crowther & Son, the woollens and dyeing plant at Huddersfield and had sold its small bunting fabric business.

Earnings per share improved 15 per cent from 1.17p to 1.35p.

DC Cook jumps 55% to £1.57m

DC Cook Holdings, the motor retail group, saw interim pre-tax profits surge 55 per cent from £1.01m to £1.57m on turnover 15 per cent up at £86.7m, against £75.1m.

Mr Derek Cook, chairman, said: "the performance of the motor division has once again been outstanding and fully justifies the decision to concentrate on this our core activity."

The division had performed better than at any time in the last five years, he added. New car sales were up 31 per cent on last time, when sales were already 61 per cent higher than the previous year.

Used car sales rose by a further 13 per cent this year, following last year's 40 per cent increase. The after sales contribution had also shown a significant rise of 29 per cent.

Earnings per share in the six months to October 31 grew from 1.71p to 2.46p and the interim dividend was stepped up 50 per cent to 0.45p (0.3p).

Mr Cook said a non-executive director would be appointed in January and a further appointment would be made by the spring.

NEWS DIGEST

Eve static at £2.5m midway

Pre-tax profits at Eve Group, the USM-traded civil engineering company, were little changed at £2.5m, against £2.51m, for the six months to end September. Turnover edged ahead from £33m to £33.8m.

Mr Roger Ames, chairman, said recessionary conditions still affected parts of the business, adding that it was difficult to predict the future with any certainty. However, he was confident that the full-year's results would be "at a level similar to the previous year".

Earnings per share were down 1p to 16.1p but the interim dividend is again 3p.

Abtrust New Dawn

Abtrust New Dawn Investment Trust's net asset value per share rose to 258.76p at the end of the six months to October 31, compared with 255.48p at the year-end and 250.11p last time.

The trust, which aims for high capital growth through investment in emerging markets, had net revenue of £189,299 (£185,056) for earnings per share of 0.53p (0.62p).

Aukett progress

Despite a "difficult and unpredictable" market, Aukett Associates, the design and architectural services group, turned in a pre-tax profit of £317,000 for the year to September 30.

The result, which arose from cost controls and improved efficiency, compared with a £2.25m deficit last time, but which was after a £3.06m loss on the disposal of a discontinued operation.

Work done amounted to £7.08m. This compared with £6.72m, of which £0.4m related to discontinued activities. Earnings per share were 1.81p (16.82p losses) but the dividend has again been omitted.

Aukett said Mr Michael Aukett was stepping down as chief executive "to operate his own practice outside the public arena." Mr Andrew Lett has been appointed managing director.

Taunton venture

Taunton Cider has entered a joint venture with Miller Brewing Company, one of the world's leading brewers, for the UK distribution of its premium bottled lager, Miller Genuine Draft.

The agreement follows US-based Miller's recent appointment of TBWA, a London advertising and promotions agency, to handle a Miller Genuine Draft branding campaign.

The deal replaces Miller's existing distribution arrangement with Rawlings Voigt, though Miller hopes that Rawlings will continue to handle the product in the London area.

Premier Land

Premier Land, the property company, yesterday reported its first ever annual pre-tax profit, which amounted to £470,000 in the year to September 30. This compared with a deficit of £719,000 previously, before Premier had divested its mining interests.

The company said yesterday that net assets had advanced to £14.4m (£4.7m), or on a per share basis to 6.15p (2.85p).

Earnings per share came to 0.29p (0.85p).

Drayton Recovery

Drayton Recovery Trust reported net asset value per preferred growth share of 136.6p at October 31, compared with 123.1p a year earlier. The figures per ordinary shares were 105.2p, against 132.8p.

Net revenue for the year to the end of October was £686,000 (£725,000) for earnings per income share of 8.3p (8.77p). The proposed final dividend is maintained at 4p, making an unchanged total of 8p.

Titon at £2m

Titon Holdings, the USM-quoted building products company, reported annual pre-tax profits slightly ahead at £2.02m, against £2.01m. Turnover rose 7 per cent from £11.3m to £12.1m.

Mr John Anderson, chairman, said it had been a difficult trading year. The company had continued to invest, with capital expenditure up 67 per cent to £973,000 and research and development spending up from £426,000 to £517,000.

Earnings per share for the 12 months to September 30 were 12.41p (12.07p) and the proposed final dividend is 3.1p (2.9p) for a total of 4.5p (4.2p).

Windsor makes £1m

Windsor, the specialist Lloyd's broker, reported a pre-tax profit of £1.05m for the year to September 30, helped by good profits from acquisitions. It is restoring dividend payments with a final of 0.5p per share.

Operating income in the 12 months increased to £9.3m (£7.8m) including £1.31m from acquisitions. Provisions were much reduced at £49,000. The previous year carried costs of £1.82m, mainly relating to a property write-down, which resulted in a pre-tax loss of £1.11m.

Earnings per share, adjusted to exclude exceptional items, were 2.65p (1.33p).

Vega rises 35%

A number of high-profile contract awards in its major market areas helped Vega Group, the software and systems engineering concern, lift first-half pre-tax profits by 35 per cent from £757,000 to £1.02m. Turnover moved ahead 27 per cent to £5.7m, against £4.5m.

Earnings per share were 4.76p (3.54p) and the interim dividend was raised from 1.04p to 1.4p.

Worthington up 60%

Worthington Group, the buttons and trimmings manufacturer, yesterday announced a 60 per cent rise in interim pre-tax profits from £508,000 to £811,000, helped by a contribution of £233,000 from Henderson Holmes & Reiss, acquired in February.

Sales in the period to September 30 rose 64 per cent to £12.2m (£7.49m) and included £4.1m from the acquisition.

The interim dividend has been increased to 0.7p (0.6p). Earnings per share on increased capital came to 2.38p (1.89p).

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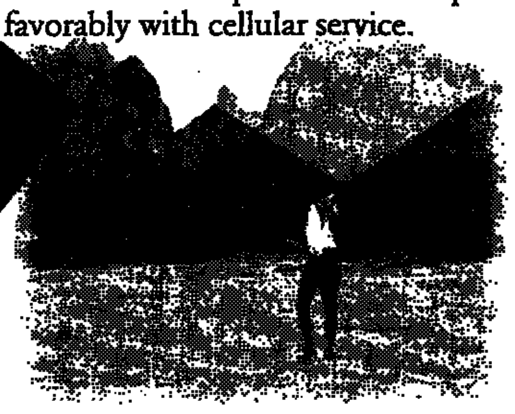

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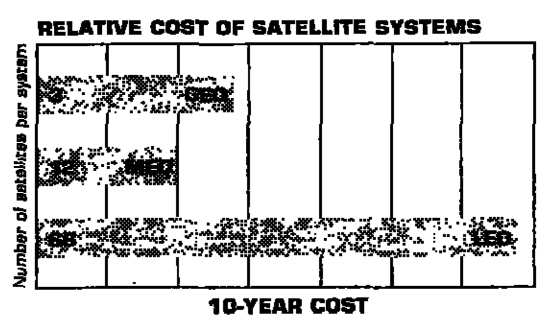

Licensing authority for the Odyssey system is expected in early 1995. Unlike other systems, it will use frequencies already allocated for this type of service and components derived from proven TRW technology. Initial start-up costs will be 60 percent lower than for the two other major systems in a recent study.* And Odyssey's constellation price will be fixed. Estimating over a 10-year period, replacement satellites for the other systems evaluated will give Odyssey an even more dramatic cost advantage. Just as importantly, subscriber projections indicate that Odyssey will offer the best value for the end-user.

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* "A Reevaluation of Selected Mobile Satellite Communications Systems: Ellipso, Globalstar, Iridium and Odyssey," 1994, The Mitre Corporation

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COMMODITIES AND AGRICULTURE

Russia plans to step up oil exports as output tumbles

By John Lloyd in Moscow

Russia is to increase its exports of oil – in spite of still tumbling oil production. At the same time, Mr Yuri Shafranik, the energy minister, has made a strong plea for extra financing from the budget to invest in the industry.

Ministers are now counting on energy exports doubling in the next 10-15 years, as part of a strategic decision to export oil in order to raise funds for the modernisation of the industry.

Oil exports are expected to amount to 85m tonnes this year (80m tonnes in 1993) while gas exports should hold steady at about 100bn cu m, according to Mr Vitaly Bushuyev, the deputy energy minister.

These aspirations assume cutting back further on sales to the former Soviet states, most of which cannot afford to pay world prices for their oil – and on restricting the supply to the domestic market by energy saving measures. "The most important part of the strategy is increasing the efficiency of energy consumption," Mr Shafranik told a commission of ministers on Wednesday.

Figures released yesterday to the official news agency, Tass, show some 275.2m tonnes produced from January to November this year – down 12 per cent on the same period last year. Gas production was also down, but much less markedly, at 549.8bn cu metres, a 2.1 per cent fall.

The production of the main Russian oil companies was: Rosneft (a holding company including several enterprises), 111.4m tonnes; Lukoil, 39.9m tonnes; Sidako, 31.8m tonnes; and Yukos, 24.8m tonnes.

Mr Shafranik, also in comments to TASS, warned that at least Rbs24,000bn (£4.7bn) were needed for modernisation and reconstruction schemes this year. The coal sector, he said, was in particular need of modernisation – and of the closing down of exhausted pits, something the coal industry committee has yet to tackle.

Sugar market 'could go higher'

By Deborah Hargreaves

The sugar market could move higher in coming months after breaking through a four-year high of 15 cents a pound recently, according to the latest analysis of the market by ED&F Man, the London commodities house.

"In this situation, even routine offtake is enough to reinforce the underlying support for prices," the report says.

But a market report from the International Sugar Organisation, which represents the world's leading producers, cautions against expectations of big price increases. The organisation believes that price growth above 15 cents a pound will "dry up physical demand from the price-sensitive importers which account for the lion's share of the world sugar trade".

Purchases from China have fuelled much of the excitement in the sugar market in recent months. The country is facing shortages of sugar after its second successive domestic shortfall in supply of over 1m tonnes.

Russia is also likely to import sugar this season following a 40 per cent drop in the beet harvest to 1.5m tonnes. E.D. & F. Man estimates consumption at 4.5m-4.8m tonnes, indicating a need for substantial imports.

The sugar organisation estimates that the 1994-95 world sugar balance will be in deficit by 1.9m tonnes with production at 112.5m tonnes and consumption at 114.4m tonnes. But it points to the fact that the current and previous deficits must be viewed in the context of surplus output in the preceding two cycles.

"Thus the present situation is tight but we believe still manageable in statistical terms," the organisation says.

Man agrees that global supply tightness may have been exaggerated to some extent. But in the medium term points to "further upside potential" on the back of Chinese, Russian and Middle Eastern offtake.

MARKET REPORT

LME copper market recovers strongly

COPPER prices staged a strong recovery at the London Metal Exchange yesterday afternoon in expectation of a sizeable LME stocks fall being announced today.

NICKEL edged lower on a report from the Norilsk mine at Talnakh, Russia, that repair work was almost complete and the mine had been working at capacity for three days. Power problems at Norilsk have been buoying nickel prices for the past month.

ALUMINIUM took heart from copper's strength but a repeat of recent fund liquidation capped the rise.

COFFEE futures ended down after speculators and jobbers liquidated long positions built up ahead of Wednesday's Brazilian stock audit, which was in line with recent estimates.

Compiled from Reuters

Concerns linger over seabed settlement

Canute James reports on doubts about the effectiveness of a new UN authority

Behind the back-slapping and mutual congratulations on a job well done, some long-standing concerns lingered after last month's inaugural meeting of the International Seabed Authority.

Uncertainty remains about how well the new United Nations agency, which will monitor the exploitation of the mineral wealth of the international seabed, will implement the Law of the Sea Convention, the broad treaty which took 12 years of contentious negotiation before it could be kneaded into a shape digestible to all UN members.

Despite this, there is consensus that the treaty, and the establishment of the ISA, was no mean achievement.

The prevailing sentiment was captured at the inauguration by Mr Boutros Boutros-Ghali, the UN secretary general. "The convention is a repudiation of the pursuit of progress through a competition for spoils," he said. "It is a rejection of the notion that economic might can transcend fundamental national rights. It is a strong disavowal of the tactics of gun-boat development. This is a historic day."

The creation of the Authority was made possible by changes to a section (Part X1) of the convention, which was adopted by the UN in July. It went a long way towards meeting the competing demands of developing and industrialised countries about how best to share the trillions of dollars worth of polymetallic nodules that are lying on the international seabed, outside the economic zone of any country.

The nodules contain copper, nickel, manganese and cobalt, and a variety of other minerals.

With the resources of the international seabed having been declared the "common heritage of mankind" by the UN, developing countries wanted a treaty that would guarantee that they would benefit from deep seabed mining, despite their lacking the technology and financial resources. This "parallel system" for sharing concerned the governments of industrialised countries, who argued against a government-controlled agency that would not adhere to market principles.

The Part X1 compromise aims at resolving problems relating to the deep seabed mining provisions of the treaty, including the costs to some countries, the mandatory transfer of technology, production policies, financial terms of mining contracts, and the conduct of the Enterprise, the economic arm of the Seabed Authority.

"We still have problems with Part X1," said Mr Joseph Warioba of Tanzania, one of the architects of the convention. "Some say it has killed the parallel system, while others say it has removed obstacles so that many states have accepted the Convention."

The changes appear to have done neither for the US, one of the harshest critics of the early efforts to fashion the treaty and establish the ISA. While the convention is important for securing solutions to the problems of the use and conservation of the oceans, said Mr Wesley Scholz, leader of the US delegation to the ISA, there are three factors which will determine broad-based support for the authority.

"First is the recognition of the importance of free market principles," he said. "Second is the recognition that those with major economic interests affected by the actions taken by the authority must be given a role commensurate with those interests.

"Third is the recognition that the evolution of the International Seabed Authority and the elaborating of the regime for commercial purposes must be in response to the evolution of commercial interests in mining."

Mr Scholz warned against over-regulation of seabed mining, interference in the market, excessive fees and taxes and political interference, saying the authority should act in a manner that would earn the confidence of potential investors.

Delegates from several developing countries said the US position was not new, but was surprising in the light of "magnanimous" concessions made by the developing countries to satisfy the concerns of industrial states.

China, which has already invested heavily in deep seabed mining, admitted that the convention was an imperfect instrument.

The industrialised countries, which have or can develop the technology for deep seabed mining, do not all appear as concerned as the US about the future operations of the ISA. The European Union "is looking forward to co-operating fully with other members of the authority, and trying to ensure that the system works effectively and efficiently," said Mr Tono Eitel, chairman of the German delegation, who spoke on behalf of the EU.

By all indications, Japan is satisfied with the agreement reached for mining the international seabed. "By streamlining the structure of the authority and removing excessive regulations. . . the agreement provides an economically sound and viable framework which will improve the climate for investing in deep seabed mining," said Mr Hisashi Owada, Japan's permanent representative to the UN. "The development of deep seabed mineral resources is of considerable importance to Japan, whose economy relies on imports of such metals as manganese, cobalt and nickel, which can be produced from polymetallic nodules."

VAW decides to shut Bavarian aluminium smelter

By Kenneth Gooding in Neuss

VAW will permanently shut its Toeging aluminium smelter in Bavaria at the end of next year but the rest of its smelters in Germany have been reprieved at least till the year 2000.

Mr Karl Wobbe, the VAW board member responsible for aluminium production, said yesterday a sudden change in power availability in Germany played an important part in the decision to keep open the smelters here, at Stade and at Hamburg (the last is one third owned by VAW).

Various factors, such as the severe drop in industrial activity in the former East Germany and closures in the country's chemical industry had ended Germany's power shortage.

Electricity suppliers had offered power contracts to the Neuss and Hamburg smelters to 2000 at prices that made them internationally competitive. Negotiations were going on about the Stade smelters' contract but Mr Wobbe was optimistic about the outcome. He was also optimistic about Neuss surviving beyond 2000.

Costs had also been cut by the streamlining forced on VAW by the crisis in the global aluminium industry, which last year saw the group cut its workforce by 2,000 to about 14,000.

However the Toeging smelter, despite being supplied by hydro-electric power and using modern technology, could not be made competitive because its essential raw material, alumina, had to be trucked 600km through Germany, which was much more expensive than shipping the material to other smelters from Australia.

Toeging's annual capacity is 90,000 tonnes but at present it is producing only 30,000 tonnes. The smelter, which as recently as 1989 employed 850 will be converted into a recycling plant with 100 employees.

The Neuss smelters annual capacity is 210,000 tonnes but output is more than 10 per cent below that because VAW has joined in the round of global production cuts that followed the international trade agreement between some aluminium producing countries, signed in February in Brussels.

Stade's capacity is 70,000 tonnes but it is operating at 10 per cent below that. VAW operates the Hamburg smelter, where Reynolds Metals of the US and Austria Metall own the other two thirds equally between them.

Mr Wobbe said despite the recent sharp improvement in aluminium prices, VAW would continue to keep to the spirit of the February agreement and he felt other big producers would do the same. That suggested capacity would not be reactivated before the middle of next year.

VAW also has a 20 per cent shareholding and is operator of the Alouette smelter in Quebec. Mr Wobbe said Quebec Hydro had given the partners an extension to March to make up their minds about taking up an option on low cost power and to more than double the smelters' capacity to 460,000 tonnes.

Many of the partners were in favour of the expansion, which would cost US$1bn and be completed by 1998. The project made excellent economic sense but VAW would not need extra metal as early as that and strategically his group would prefer to spend its capital on downstream operations closer to the ultimate consumer. Nevertheless, VAW was looking for ways to remain involved in the Alouette expansion, he said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1870-1	1898.5-7
Previous	1837-8	1865-6
High/low		1910/1838
AM Official	1844-5	1868.5-9
Kerb close		1888-9
Open int.	258,453	
Total daily turnover	50,271	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1825-35	1860-5
Previous	1810-5	1850-5
High/low		1865/1845
AM Official	1810-20	1845-55
Kerb close		1860-5
Open int.	2,978	
Total daily turnover	559	

■ LEAD ($ per tonne)

Close	631-2	647-8
Previous	618-9	635-6
High/low		650/632
AM Official	618-9	635.5-6
Kerb close		645-6
Open int.	43,447	
Total daily turnover	9,453	

■ NICKEL ($ per tonne)

Close	8775-85	8910-20
Previous	8615-25	8750-60
High/low		9100/8600
AM Official	8720-5	8851-2
Kerb close		8890-900
Open int.	67,685	
Total daily turnover	18,661	

■ TIN ($ per tonne)

Close	5975-85	6070-80
Previous	5950-60	6040-50
High/low		6120/5980
AM Official	5930-40	6020-30
Kerb close		6060-70
Open int.	23,291	
Total daily turnover	4,596	

■ ZINC, special high grade ($ per tonne)

Close	1123.5-4.5	1152-3
Previous	1108-9	1137-8
High/low	1111	1154/1128
AM Official	1111-1.5	1140-0.5
Kerb close		1154-5
Open int.	106,816	
Total daily turnover	21,528	

■ COPPER, grade A ($ per tonne)

Close	2970-2	2913-4
Previous	2895-6	2858-9
High/low	2922/2920	2920/2845
AM Offical	2922-4	2868-70
Kerb close		2918-9
Open int.	245,921	
Total daily turnover	68,317	

■ LME AM Official £/$ rate: 1.5667
LME Closing £/$ rate: 1.5640

Spot:1.5635 3 mths:1.5632 6 mths:1.5626 9 mths:1.5619

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Dec	136.55	+2.35	136.80	134.50	6,573	1,232
Jan	135.80	+3.45	136.00	134.50	1,567	18
Feb	134.80	+3.55	-	-	807	44
Mar	133.60	+3.65	133.70	130.40	27,771	7,251
Apr	131.15	+3.40	129.90	129.90	691	22
May	128.40	+3.15	128.15	125.70	3,307	1,075
Total					50,679	10,144

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	375.90-376.30	
Opening	376.30-376.70	
Morning fix	376.45	240.129
Afternoon fix	376.20	240.660
Day's High	376.90-377.30	
Day's Low	375.40-375.80	
Previous close	376.10-376.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.83	6 months	5.87
2 months	5.03	12 months	6.35
3 months	5.19		

Silver Fix	p/troy oz.	US cts equiv.
Spot	296.50	464.00
3 months	300.70	470.65
6 months	305.60	478.05
1 year	317.30	496.00
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	378-381	241-244
Maple Leaf	386.40-388.85	-
New Sovereign	87-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	376.6	+0.5	376.7	374.8	1,770	1,861
Jan	377.8	+0.5	-	-	1	-
Feb	379.7	+0.5	379.9	377.9	94,783	22,778
Apr	383.7	+0.5	383.8	382.0	14,186	432
Jun	388.0	+0.6	387.9	386.6	20,882	226
Aug	392.6	+0.7	-	-	12,172	1
Total					189,374	22,893

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	403.1	-0.4	404.5	402.0	14,565	1,926
Apr	407.4	-0.5	408.5	406.5	10,880	630
Jul	411.7	-0.5	413.0	413.0	1,965	9
Oct	416.2	-0.5	-	-	818	1
Jan	419.2	-0.5	-	-	14	2
Total					28,253	2,566

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	151.90	-0.40	154.50	153.00	64	-
Mar	154.40	-0.40	155.50	154.25	5,871	208
Jun	155.65	-0.40	-	-	775	-
Sep	156.90	-0.40	-	-	108	-
Total					6,828	210

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Dec	466.0	+4.4	464.0	459.0	353	375
Jan	466.9	+4.1	462.5	462.5	82	-
Feb	469.7	+4.1	-	-	1	2
Mar	472.7	+4.1	474.0	465.5	80,593	16,959
May	478.5	+4.2	480.0	472.5	8,156	335
Jul	484.5	+4.2	485.0	477.5	7,311	584
Total					136,563	20,011

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	17.08	+0.21	17.11	16.84	81,408	52,496
Feb	17.13	+0.22	17.15	16.89	77,533	32,881
Mar	17.14	+0.18	17.20	16.95	46,852	15,845
Apr	17.24	+0.19	17.25	17.12	18,510	8,132
May	17.30	+0.17	17.28	17.15	14,475	2,848
Jun	17.30	+0.16	17.33	17.22	29,325	5,437
Total					413,284	133,313

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	16.31	+0.25	16.37	16.08	73,926	26,403
Feb	16.19	+0.16	16.26	16.05	57,412	19,730
Mar	16.14	+0.20	16.15	15.99	19,809	5,365
Apr	16.14	+0.17	16.14	15.98	7,457	483
May	16.10	+0.14	16.10	15.98	6,810	519
Jun	16.12	+0.15	16.12	16.00	6,711	375
Total					183,596	52,877

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	48.70	+1.03	48.90	47.68	50,435	21,385
Feb	49.25	+0.93	49.40	48.29	37,850	11,566
Mar	49.40	+0.83	49.50	48.65	17,511	7,383
Apr	49.10	+0.83	49.10	48.35	11,647	2,547
May	48.80	+0.63	48.60	48.40	7,362	1,427
Jun	48.25	+0.43	48.25	48.25	6,715	1,301
Total					155,110	46,875

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	142.75	+3.25	143.25	139.50	26,339	9,440
Jan	146.00	+3.50	146.25	142.50	32,002	10,827
Feb	148.00	+3.25	148.50	145.25	19,800	2,016
Mar	150.00	+2.75	150.00	147.25	11,532	811
Apr	149.75	+2.50	149.75	148.00	4,096	173
May	150.25	+2.50	150.25	148.25	1,146	494
Total					105,394	24,002

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	1.795	+0.011	1.825	1.758	30,155	17,390
Feb	1.810	+0.016	1.830	1.790	18,665	4,836
Mar	1.800	+0.007	1.830	1.790	15,795	2,920
Apr	1.785	+0.012	1.775	1.755	8,018	1,171
May	1.780	+0.007	1.775	1.750	8,896	1,084
Jun	1.785	+0.017	1.785	1.760	7,734	831
Total					141,404	31,598

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	51.90	+1.20	51.95	50.81	23,215	15,145
Feb	52.05	+0.71	52.20	51.30	17,192	6,539
Mar	52.55	+0.57	52.75	52.30	8,127	2,209
Apr	55.90	+0.62	56.05	55.70	9,233	1,512
May	55.10	-	-	-	4,251	237
Jun	55.25	-	-	-	1,433	32
Total					67,282	25,815

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	106.30	+0.15	106.25	106.15	1,392	95
Mar	107.45	+0.25	107.45	107.20	1,730	27
May	109.40	+0.45	108.95	108.95	1,721	13
Jul	110.50	+0.20	-	-	277	-
Sep	96.65	+0.25	-	-	77	-
Nov	98.85	+0.10	98.75	98.75	820	1
Total					6,882	140

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	379/0	+3/2	381/0	375/0	1,733	1,850
Mar	394/6	+3/4	396/6	390/2	41,967	11,967
May	377/4	+4/0	379/0	372/6	6,726	1,000
Jul	347/2	+4/2	348/0	342/4	13,770	1,299
Sep	352/4	+4/0	352/4	350/0	698	91
Dec	363/4	+3/6	364/0	362/4	236	7
Total					65,141	16,314

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	217/0	+1/0	217/4	215/2	8,317	5,360
Mar	229/4	+1/2	229/6	227/6	113,167	49,276
May	237/2	+1/0	237/4	235/6	42,066	4,257
Jul	242/2	+0/6	242/4	240/4	48,301	10,034
Sep	246/0	+0/4	246/2	244/6	4,961	172
Dec	249/4	-	249/6	248/2	25,815	2,557
Total					243,693	72,031

■ BARLEY LCE (£ per tonne)

Jan	102.85	+0.25	-	-	373	-
Mar	104.75	+0.15	-	-	194	-
May	106.45	-	-	-	42	-
Sep	94.75	-	-	-	30	-
Nov	98.25	-	-	-	67	-
Jan	98.00	-	-	-	-	-
Total					706	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	562/0	+3/0	562/6	557/4	46,964	19,575
Mar	571/4	+3/2	572/4	567/2	33,153	5,037
May	579/6	+3/0	579/4	575/0	16,981	1,886
Jul	584/2	+4/0	584/4	580/0	25,662	2,121
Aug	586/0	+3/2	586/0	583/0	2,131	148
Sep	586/4	+3/0	587/4	585/4	1,311	67
Total					136,847	29,868

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	28.54	-0.32	28.84	28.15	11,649	2,789
Jan	27.32	-0.34	27.88	27.00	35,510	10,005
Mar	26.39	-0.31	26.73	26.10	28,474	5,543
May	25.59	-0.16	25.80	25.30	18,613	1,913
Jul	25.03	-0.04	25.18	24.98	11,470	1,791
Aug	24.70	-	24.80	24.65	2,203	70
Total					119,894	23,464

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	157.7	+2.2	157.8	155.5	5,311	4,909
Jan	159.1	+2.4	159.3	156.8	31,539	7,579
Mar	162.8	+2.3	163.2	160.8	28,402	3,060
May	166.9	+2.5	167.0	164.8	13,451	1,278
Jul	171.3	+1.9	171.4	168.4	12,453	911
Aug	173.2	+1.8	173.2	171.9	3,064	130
Total					104,880	18,168

■ POTATOES LCE (£/tonne)

Mar	250.0	-	-	-	-	-
Apr	277.9	+5.4	278.0	272.0	1,366	118
May	300.0	+10.0	-	-	2	
Jun	250.0	-	-	-	-	
Total					1,376	118

■ FREIGHT (BIFFEX) LCE ($10/index point)

Dec	2048	+23	2060	2045	338	20
Jan	2025	+23	2035	2020	985	129
Feb	1970	+15	1970	1970	180	2
Apr	1870	+10	1890	1869	1,455	127
Jul	1630	+12	1635	1625	172	29
Oct	1700	-3	1700	1700	77	1
Total					3,207	308

	Close	Prev
BFI	2011	1989

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	978	-18	992	970	4,745	304
Mar	946	-5	955	942	45,921	2,171
May	948	-5	957	944	18,094	567
Jul	957	-2	963	953	7,719	581
Sep	967	-2	999	963	13,454	813
Dec	982	-2	991	981	11,596	419
Total					110,988	6,595

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1270	+2	1268	1257	249	35
Mar	1261	-3	1268	1252	42,404	7,733
May	1270	-6	1280	1264	11,029	1,877
Jul	1284	-6	1290	1283	4,299	1,251
Sep	1308	-3	1315	1302	1,785	162
Dec	1335	-3	1339	1330	4,805	301
Total					77,605	11,561

■ COCOA (ICCO) (SDR's/tonne)

Dec. 7	Price	Prev. day
Daily	950.60	944.63

■ COFFEE LCE ($/tonne)

Jan	2873	-65	2895	2860	9,097	532
Mar	2831	-47	2840	2808	9,823	1,329
May	2811	-57	2810	2783	4,931	246
Jul	2781	-64	2795	2765	1,711	167
Sep	2781	-52	2780	2765	2,632	25
Nov	2775	-43	-	-	409	-
Total					28,703	2,299

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	162.00	+1.00	162.25	161.00	150	38
Mar	164.45	-0.45	165.80	163.10	17,376	5,550
May	166.55	-0.45	167.80	165.25	6,773	672
Jul	167.75	-0.25	169.00	167.40	2,721	719
Sep	169.45	-0.80	171.00	169.40	1,658	479
Dec	169.45	-1.20	170.00	169.80	1,291	165
Total					30,277	7,656

■ COFFEE (ICO) (US cents/pound)

Dec. 7	Price	Prev. day
Comp. daily	153.09	152.74
15 day average	157.34	158.66

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jan	13.00	-	-	-	370	-
Mar	14.65	-0.18	-	-	860	-
May	14.83	-0.10	-	-	300	-
Jul	14.83	-0.08	-	-	-	-
Total					1,530	-

■ WHITE SUGAR LCE ($/tonne)

Mar	402.80	-2.40	405.00	400.00	13,675	1,136
May	395.80	-1.00	397.10	392.00	5,435	275
Aug	385.80	-0.30	386.40	383.50	4,383	302
Oct	367.30	+1.70	357.00	354.20	1,878	70
Dec	353.00	+2.00	351.00	351.00	128	6
Mar	352.00	+2.00	-	-	219	-
Total					25,588	1,788

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	14.46	-0.15	14.58	14.44	98,080	10,312
May	14.51	-0.15	14.61	14.50	38,413	3,969
Jul	14.26	-0.12	14.32	14.22	23,801	2,478
Oct	13.48	+0.07	13.52	13.36	23,328	737
Mar	12.92	+0.11	12.92	12.80	6,096	184
May	12.88	+0.10	12.73	12.68	1,838	27
Total					192,273	17,737

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	84.27	+2.42	84.00	82.50	123	128
Mar	84.09	-0.08	84.84	83.67	32,274	6,459
May	84.15	-0.20	85.04	83.80	10,860	1,611
Jul	83.60	-0.32	84.70	83.35	5,878	805
Oct	74.34	-0.06	74.90	74.25	1,011	133
Dec	71.90	-0.35	72.70	71.70	5,393	358
Total					56,411	9,515

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	111.70	+2.15	112.00	108.50	11,145	1,133
Mar	115.15	+2.00	115.30	112.50	7,888	651
May	117.75	+1.60	118.00	116.15	1,650	28
Jul	121.00	+2.35	119.25	118.65	1,058	4
Sep	124.00	+2.55	122.00	122.00	2,143	5
Nov	124.00	+2.55	-	-	1,560	182
Total					25,809	2,023

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	69.350	+0.075	69.500	68.400	10,645	2,291
Feb	69.300	+0.125	69.525	68.300	29,163	5,167
Apr	69.850	+0.500	70.075	69.450	19,116	1,237
Jun	64.725	+0.275	64.875	64.500	6,576	549
Aug	62.925	+0.200	63.100	62.900	2,652	201
Oct	63.650	+0.150	63.825	63.600	1,294	163
Total					69,029	9,612

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	31.450	+0.600	31.550	31.100	3,303	1,371
Feb	35.200	+0.200	35.450	35.000	15,360	2,772
Apr	36.175	+0.125	36.475	36.000	7,715	984
Jun	41.625	+0.175	41.700	41.400	4,120	383
Aug	41.700	+0.200	41.750	41.525	1,119	69
Oct	39.800	+0.150	39.850	39.600	916	32
Total					33,642	5,676

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	36.025	+0.025	36.900	35.900	7,957	1,886
Mar	36.375	+0.075	37.200	36.250	1,405	228
May	37.750	+0.125	38.350	37.725	521	42
Jul	38.550	-0.125	39.550	38.550	425	40
Aug	37.625	-0.350	38.500	37.825	185	26
Feb	47.975	-	-	-	8	1
Total					10,813	2,033

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ **ALUMINIUM (99.7%) LME**	Feb	May	Feb	May
1850	110	163	76	124
1875	98	151	88	136
1900	86	140	101	150
■ **COPPER (Grade A) LME**	Feb	May	Feb	May
2850	160	132	59	162
2900	131	112	79	191
2950	105	94	103	221
■ **COFFEE LCE**	Jan	Mar	Jan	Mar
3000	37	140	164	309
3050	27	126	204	345
3100	19	113	246	382
■ **COCOA LCE**	Mar	May	Mar	May
900	53	71	-	25
925	28	56	-	35
950	6	43	3	47
■ **BRENT CRUDE IPE**	Jan	Apr	Jan	Apr
1600	44	85	13	71
1650	17	63	37	99
1700	7	48	81	134

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$15.53-5.61z	+0.305
Brent Blend (dated)	$16.13-6.15	+0.43
Brent Blend (Jan)	$16.33-6.35	+0.43
W.T.I. (1pm est)	$17.13-7.15z	+0.43

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$169-171	+15.0
Gas Oil	$143-144	+3.0
Heavy Fuel Oil	$92-94	+1.0
Naphtha	$172-174	-2.0
Jet fuel	$163-165	+3.0
Diesel	$148-150	+3.0

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

Gold (per troy oz)‡	$376.10	-0.20
Silver (per troy oz)‡	464.5c	-3.6
Platinum (per troy oz.)	$403.50	
Palladium (per troy oz.)	$153.00	-0.30
Copper (US prod.)	139.0c	-1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.13r	-0.18
Tin (New York)	281.5c	+2.0
Cattle (live weight)†	121.89p	+4.24*
Sheep (live weight)†♣	119.82p	+8.21*
Pigs (live weight)	81.80p	+1.05*
Lon. day sugar (raw)	$353.90	+0.50
Lon. day sugar (wte)	$408.50	-2.50
Tate & Lyle export	£340.00	
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0	
Wheat (US Dark North)	£165.0	
Rubber (Jan)♥	100.00p	+1.50
Rubber (Feb)♥	99.00p	+1.50
Rubber (KL RSS No1 Jul)	365.5m	+2.5
Coconut Oil (Phil)§	$682.5y	-10.0
Palm Oil (Malay.)§	$737.5z	-2.5
Copra (Phil)§	$464.0q	
Soyabeans (US)	£168.0z	
Cotton Outlook'A' index	86.45c	+1.35
Wooltops (64s Super)	462p	-2.0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♣ Sheep (Live weight prices). - Change on week ⊕ Prices are for previous day. † - 14/11/94 Corrected figure for WTI $17.90-7.92

Wool
Wool prices in the main international primary markets continue to fluctuate narrowly. Finer merinos which eased just recently were unchanged or a fraction dearer at this week's closing auctions in Australia, and prices for middle range merino fleece have remained firm. The market indicator closed down again on the week, at 769c/kg compared with 774c/kg, but the mid-week quotation was 763c/kg. New Zealand crossbred prices eased more definitely, with the indicator down 18 cents to 821c/kg. The overall impression is one of a fairly firm market passing through a period of uncertainty. In the UK sentiment has not been helped by the latest interest rate rise, which is likely to depress consumer confidence further in an already fragile situation.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 8	Dec 7	month ago	year ago
2178.8	2171.8	2118.3	1650.8

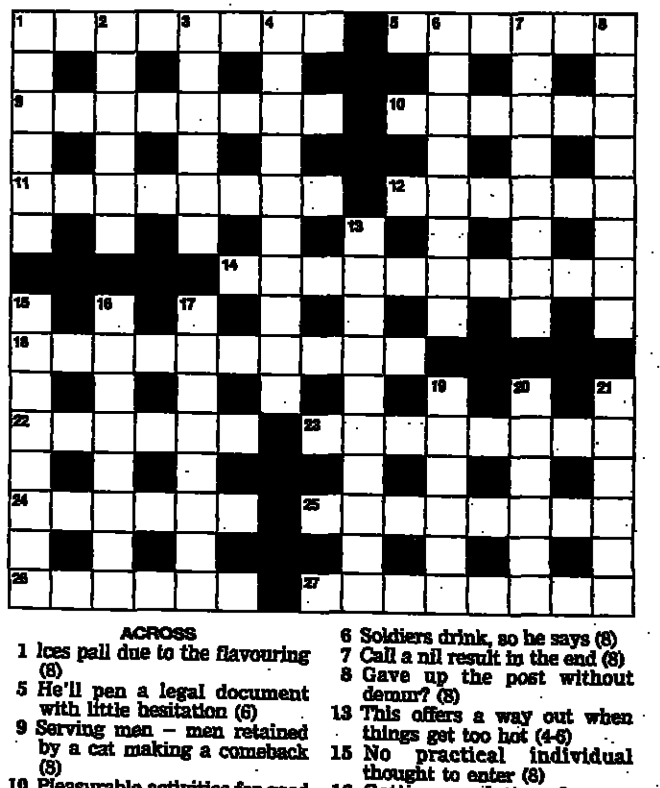
■ CRB Futures (Base: 1967=100)

Dec 7	Dec 6	month ago	year ago
228.51	227.99	233.21	222.34

JOTTER PAD

CROSSWORD

No.8,632 Set by VIXEN



ACROSS
1 Ices pall due to the flavouring (8)
5 He'll pen a legal document with little hesitation (6)
9 Serving men – men retained by a cat making a comeback (8)
10 Pleasurable activities for good losers (6)
11 Just a few words could mean prison! (8)
12 Having a go, though it's irksome (6)
14 Planned to study (10)
18 Turned aside in some confusion (10)
22 The woman in a commercial is on television often (6)
23 Taking mugs in, he's killing! (8)
24 The type with an inclination towards the right (6)
25 A singer, a Brit, unhappily single (8)
26 Entertains doctors (6)
27 Split about always appearing respectful (8)

DOWN
1 Opposing Article Ten (6)
2 A story for example read in advance (6)
3 Backing up a politician a top journalist persistently questioned (6)
4 The good sense shown by many over technique (10)
6 Soldiers drink, so he says (8)
7 Call a nil result in the end (8)
8 Gave up the post without demur? (8)
13 This offers a way out when things get too hot (4-6)
15 No practical individual thought to enter (8)
16 Getting a letter from a pirate's astonishing (8)
17 The person who likes to light up, to others' distress (8)
19 Claim possibly a quarter – there's vindictiveness! (6)
20 Not in the main constructed of wood and stone (6)
21 Aim to get into temporary accommodation (6)

Solution 8,631

مكررا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Merger story helps stabilise nervous equities

By Steve Thompson

London's equity market was given a massive shot in the arm after confirmation of long-running stories that a bid move against S.G. Warburg, perceived to be the UK's flagship merchant bank, could be in the offing.

News that Morgan Stanley, the world-ranked US investment bank, is seeking a merger with Warburg sent the UK company's shares soaring and deflected some of the market's worries about the mini-Budget forced on the chancellor by the defeat of the government's proposed VAT tax on domestic fuel.

News that the chancellor had elected to shift the tax burden from domestic fuel on to the consumer sector came as no surprise to a market which had braced itself to expect such moves. Brewers, distillers and, to a lesser extent, the oil companies, are expected to underperform the market this morning.

On the other hand, the utilities, hit by worries that the mini-Budget could have included moves to penalise the hugely profitable electricity distribution stocks, generators and water companies, staged a good rally after escaping the latest tax net.

At the close of the session the FT-SE 100 Index was 1.3 higher at 3,013.8, after having swung in a 20-point arc, while the FT-SE Mid 250 Index settled a net 2.6 firmer at 3,427.9.

Embellishing a trading session bursting with news and stories was the unofficial market debut of BSkyB, the satellite television company, which got off to an encouraging 5 per cent premium to its 256p striking price. There was frantic trading in BSkyB shares, where turnover of 41m accounted for a short 8 per cent of business in London's equity market.

There was considerable nervousness in London at the outset of trading, with fund managers reluctant to trade ahead of the mini-Budget. The FT-SE 100 kicked off around four points lower but quickly stabilised and began to gather upside momentum as stories of a bid for Warburg began to circulate in the City's dealing rooms.

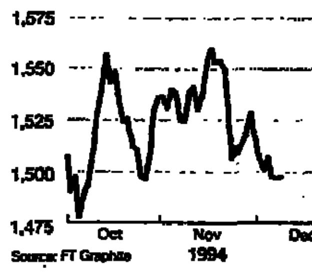
Confirmation from Warburg and Morgan Stanley that the two groups are involved in talks which could lead to a merger saw Warburg shares retreat sharply before embarking on another upsurge later in the day. Marketmakers quickly adopted the view that the talks were the start of what could be one of the biggest takeover battles in the UK financial sector.

"The view in the market is that Warburg is now very much "in play" and that a "serious take-out" price will need to be well in excess of £12.50 a share," said one trader. "JP Morgan was said to have been in talks with Warburg two years ago, and has to be seen as a serious contender to launch a counter to any merger offer from Morgan Stanley," he added. Dresdner Bank was also viewed as a likely counter-bidder to any moves.

The Warburg/Morgan Stanley news electrified the rest of the financials area, where other merchant banks and brokers were chased higher. Smith New Court's interim figures, although well down from last time, were much better than some analysts had forecast, and the securities house – long regarded as the most astute market-makers in the City – was seen as a prime target for other international financial services groups.

Transatlantic events, which have tended to dominate European markets in recent weeks, played a much quieter part, although Wall Street was showing ominous signs of weakening some two hours after London closed. Dealers in London continued to point to the worrying events in the US, where Federal Reserve chairman Mr Alan Greenspan recently spoke of the need to restrain the US economy. The bankruptcy of Orange County, in California, and the Magellen Fund's difficulty, were cited as further causes for concern.

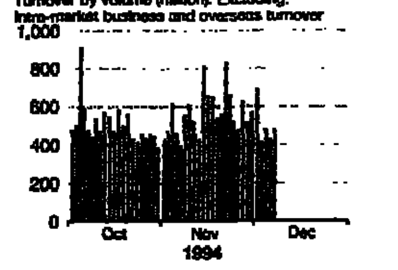
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3013.8	+1.3	FT Ordinary index	2323.2	+3.5
FT-SE Mid 250	3427.9	+2.6	FT-SE-A Non Fins p/e	17.99	(18.02)
FT-SE-A 350	1509.8	+0.7	FT-SE 100 Fut Dec	3016.0	+10.0
FT-SE-A All-Share	1496.39	+0.57	10 yr Gilt yield	8.61	(8.63)
FT-SE-A All-Share yield	4.09	(4.09)	Long gilt/equity yld ratio:	2.12	(2.12)

Best performing sectors

1. Merchant Banks .... +7.5
2. Gas Distribution .... +1.1
3. Pharmaceuticals .... +1.1
4. Other Financial .... +1.1
5. Life Assurance .... +1.1

Worst performing sectors

1. Retailers, General .... -2.1
2. Banks .... -0.5
3. Services .... -0.5
4. Electronic & Elect Eq .... -0.5
5. Building & Construct .... -0.4

Warburg bid war starts

The merchant bank sector was set alight with news that S.G. Warburg and big US investment bank Morgan Stanley were in merger talks.

Speculation had been smouldering for some time, although it had focused on US rival JP Morgan. Yesterday it flared up, prompting a Stock Exchange announcement that share prices shown on dealing screens were merely indicative.

An hour of intense upside pressure saw Warburg shares up 146p at their best and forced the UK merchant bank to announce that it was in talks.

"Warburg has just bought itself into play and this one's going through the roof," said one dealer. "It could go to £12 or £15."

Many saw it as the opening of an auction that could include banks such as Dresdner, of Germany. Credit Lyonnais Laing said: "It is a once in a decade event when a leading financial institution in the UK puts its hands up and effectively says it would be better off as part of a larger group."

The house would not comment on its valuations but rivals said it was talking of an ultimate figure as high as £16.

James Capel believes a US bank such as JP Morgan might enter the fray, perhaps because it merely wants to see the exit price bid higher but also because it has previously expressed an interest. Warburg shares closed 119 up at 791p on turnover of 10m, the second most active volume recorded in the stock. Morgan Stanley was trading $1 higher at $57⅞ in New York as London closed.

UBS, however, takes a more downbeat view. It believes that any merger will run into big regulatory problems and a rival bidder is unlikely.

BSkyB debut

Initial dealing in BSkyB shares saw turnover of some 45m in the last two hours of trading in London. The stock, which was only priced yesterday morning, opened at an 11p premium to its 256p striking price and held steady to end the day at 268¼p.

The shares began trading simultaneously in London and New York. They will enter the UK Stock Exchange's official list next Thursday and BSkyB is expected to be an early candidate for the FT-SE 100 Index. The offer price translates to a capitalisation of £4.4bn which at current levels would render it one of the 35 most highly capitalised UK companies.

BT added 4 up at 380p as the market buzzed with talk of an imminent disposal of the group's 35.9m share stake in AT&T following the US telecom group's filing of a registration statement. The disposal could bring in some $1.7bn at current prices. Turnover in BT was 8.7m shares.

Retailer Great Universal Stores surprised the market with a special 30p dividend with its interim profits. The shares closed at 496p xd after active trading of 4m.

The move followed weeks of market speculation suggesting the company would use part of its cash mountain of around £1.5bn to launch a share buy-back scheme.

The one-off special payment made yesterday will cost around £300m, still leaving the group with some £1.2bn and prompted speculation that GUS may soon make another or even go for the much predicted share buy-back option.

Half-time profits at £225m, against £213.2m a year earlier, came in below market forecasts. BZW downgraded full-year expectations by 3 per cent to £555m, saying its move reflected "the weakness in the clothing market and recalculation of the interest charge". UBS cut its full-year prediction by £10m to £575m.

Takeover enthusiasm fuelled the banking sector as analysts and investors looked towards a fundamental shakeout. Kleinwort Benson jumped 32 to 522p and Smith New Court, where profits were above expectations but still down 35 per cent, improved 23 to 396p.

Many expect the classic marketmaker to attract a bid. Schroders moved 40 higher to 1460p and MAM, Warburg's 75 per cent-owned fund management arm, leapt 39 to 653p.

Technical pressure was behind a slide of 7 to 426p in British Aerospace rather than any rethink on Wednesday's monopolies referral for the bids from both BAe and GEC for submarine maker VSEL. VSEL was 2 lower at 1336 while GEC was steady ahead of today's interim results at 275p.

Yesterday's increase in duty on alcohol by the UK Chancellor brought a retreat to several stocks in the sector. Whitbread gave up 6 to 553p, and Guinness a penny to 438p. Bass, relinquished a penny to 518p with sentiment further hurt by a sell recommendation from NatWest Securities.

Electronics group Racal tumbled 13 to 203p in 4.9m turnover as analysts found clear signs of margins pressure in the interim statement and promptly downgraded full-year profits estimates. NatWest Securities came down by £5m to £60m but found the shares attractive at present levels, against a net asset value of close to 190p.

The re-awakening of bid fever, prompted by the Warburg situation, spread like a virus and marketmakers were soon rounding up the usual suspects. It was harder to see a stronger rationale for stories that Glaxo was sharpening its claws for either Wellcome or Zeneca. All three ended up brighter on the day however with Glaxo gaining 7 to 629p, Wellcome 10 to 675p and Zeneca 11 to 837p.

Carlton Communications fell 10 in early dealing on worries over derivatives trading. When it was realised that the figure was minimal and Carlton was suing Bankers Trust rather than the other way round the stock rebounded to close 4 higher at 872p.

An acquisition, rights issue and promise of higher profits and dividends this year left motor distributor and bus operator Cowie 6 higher at 224p in 1.1m turnover. The rights issue will bring in some £33m, half of which will finance the purchase of the group's second London bus operation. News of the extra equity was sweetened by a forecast 16 per cent increase in dividends for 1994.

Refractories maker Hewitt soared 60 to 158 as the group unveiled plans for an injection of new capital and management.

Stores group Kingfisher dropped 7 to 427p after BZW downgraded profit expectations. The investment bank reduced its current year prediction by £15m to £315m to take account of "trading difficulties at Woolworth (its high street subsidiary) and a higher than expected interest charge."

A recommendation from Kleinwort Benson boosted Ladbroke 4 to 162p.

Disappointing interim figures from Fine Arts Developments, along with a cautious outlook to the second half saw the shares slide 44 to 376p.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (20).
DIVERSIFIED INDLS (2) Hewden, Whitecroft, ENGINEERING (3) Cobham, Turnpyke, Wellman, ENG. VEHICLES (2) Honda Motor, UPF, INVESTMENT TRUSTS (8) OIL EXPLORATION & PROD (1) Seafield Res., OTHER FINANCIAL (2) Int'l. Inv. Tst. Jersey, Jupiter Tyndall, TEXTILES & APPAREL (1) Chamberlain Phipps, TRANSPORT (1) Stagecoach.
NEW LOWS (127).
BANKS (1) First Nat'l. Finance 7pc Cv. Pf., BREWERIES (1) Fuller STA, BUILDING & CNSTRN (10) Barratt Devlpt., Berkeley, Countryside Props., Eve, McAlpine (A), Persimmon, Redrow, Utility Cable, Westbury, Wilson(C), BLDG MATLS & MCHTS (3) Caradon, Lilleshall, Norcros, CHEMICALS (2) Engelhard, Hickson Int'l., DISTRIBUTORS (4) Gardiner, Perry, Quicks, Wills, DIVERSIFIED INDLS (3) Staveley Inds., Suter, Do Wnts., ELECTRNC & ELECT EQUIP (8) BICC Cap. Finance 10¼pc Cv 2020, CML Microsystems, Chemel, Chloride, Cray, ENGINEERING (6) Ash & Lacy, Cook (W), FKI, McKechnie, Molins, Neotronics Tech., EXTRACTIVE INDS (5) FOOD MANUF (2) Acatos & Hutcheson, Usborne, HOUSEHOLD GOODS (1) Stoddard, INSURANCE (1) Hibernian, INVESTMENT TRUSTS (32) INVESTMENT COMPANIES (5) LEISURE & HOTELS (3) My Kinda Town, Wembley, LIFE ASSURANCE (3) London & Manchester, Refuge, Utd Friendly B, MEDIA (2) Barbour Index, Osprey Comms., OIL EXPLORATION & PROD (2) OTHER FINANCIAL (5) Johnson Fry, St. James's Place Capital, Swire Pacific A, Tho Hidgs, Tyndall Australia, OTHER SERVS & BUSNS (1) Waste Management Int'l., PRTNG, PAPER & PACKG (1) Sarif, PROPERTY (10) RETAILERS, GENERAL (9) Alders, Boots, Cantors, Fine Art Devlps., GUS, Kingfisher, Marks & Spencer, Upton & Southern, SUPPORT SERVS (7) ACT, Autot'ed Sec., Johnson Cleaners, Microgen, Mitays, Stat-Plus, Warner Howard, TELECOMMUNICATIONS (1) Cable & Wireless, TEXTILES & APPAREL (1) Alexandra Workwear, WATER (1) South West, AMERICANS (5) CANADIANS (5).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures gained ground in thin volumes, with much of the day's activity generated by the looming expiry of the FT-SE 100 December contract, writes *Jeffrey Brown*.

At the close of pit trading the December contract was at 3,016, up 9 points. The premium to the cash market was 4 points, or 2 points above fair value.

Activity was again minimal. Lots dealt totalled 18,672, but this included close to 10,000 contracts of spread trading as dealers rolled over into the March contract.

One point of interest was the widening in the premium at which the March contract sells above December – from 13 points on Wednesday to 15 at the outset yesterday, and almost to 18 at the close.

Dealers interpreted this as a clear sign of investor optimism as takeover fever gripped the City's securities houses following news of S.G. Warburg's merger discussions.

Traded option volume fell to 24,586 lots, from 33,407 on Wednesday, with FT-SE and Euro FT-SE business accounting for 19,000. Retailer Argyll was the most active stock option, having 761 contracts dealt.

BZW issued a novel £9bn warrants basket linked to smaller companies, which the investment bank claimed is the first of its kind. The 50 companies have an average market capitalisation of £200m.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3008.0	3016.0	+10.0	3032.0	2995.0	19705	39368
Mar	3025.0	3033.5	+3.0	3049.0	3012.0	10018	28617
Jun	3032.0	3046.5	+8.0	3055.5	3032.0	1357	1060

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3420.0	3432.0	+12.0	3435.0	3420.0	190	2179
Mar	3454.5	3466.0	+12.0	3454.5	3454.5	170	3158

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3425.0	-	-	-	-	287

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3012) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Dec	170	3½	123½	7½	80½	51	46	71	29	95½	7	124½	2½	160	1	200
Jan	201½	24	163	35½	127	51	96½	71	68	95½	46	124½	30½	160	17½	200
Feb	222	36½	185½	50½	150½	66½	121	88½	92½	110	70½	139½	56	170	36	208
Mar	234	52	197½	65½	165½	84	136	105	108	128	87½	157½	67	187½	52½	223½
Jun†			234½	94½			175½	133			127	185			87	245½

Calls 4,953 Puts 5,855

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Dec	192	1	145½	5	101	10	61	20	31½	40½	13	72	4½	113½	1½	160
Jan	215½	17	175½	26½	139	39½	106½	56½	78½	78½	55½	105½	37½	137	24½	173
Feb	238	30			164½	55			104½	94			66½	149		
Mar	247	42			177	76½			118½	110			74	164		
Jun†	285	70½			219½	102			163	142½			116	192		

Calls 4,007 Puts 3,084 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Dec	55½ 21⅞	29 45¼	12¾ 78⅞					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Dec 8	Day's chge%	Dec 7	Dec 6	Dec 5	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3013.8	....	3012.5	3016.1	3033.5	3271.8	4.28	7.37	16.04	121.25	1147.44
FT-SE Mid 250	3427.9	+0.1	3425.3	3430.2	3458.3	3596.2	3.70	6.03	19.95	127.76	1286.85
FT-SE Mid 250 ex Inv Trusts	3425.0	+0.1	3421.2	3425.7	3453.5	3593.6	3.86	6.54	18.54	133.57	1283.65
FT-SE-A 350	1509.8	....	1509.1	1510.9	1520.5	1626.6	4.15	7.06	16.78	59.75	1176.09
FT-SE SmallCap	1749.61	-0.1	1751.26	1754.92	1762.91	1775.37	3.42	5.05	25.08	53.85	1364.59
FT-SE SmallCap ex Inv Trusts	1718.06	-0.1	1719.04	1722.31	1730.27	1740.71	3.63	5.63	22.89	55.81	1344.59
FT-SE-A ALL-SHARE	1496.39	....	1495.82	1497.72	1507.05	1606.20	4.09	6.92	17.19	58.31	1185.48

■ FT-SE Actuaries All-Share

	Dec 8	Day's chge%	Dec 7	Dec 6	Dec 5	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2616.95	....	2617.71	2637.40	2658.47	2386.09	3.63	5.23	24.19	89.83	1056.51
12 Extractive Industries(4)	3763.84	+0.5	3744.74	3754.01	3790.26	3440.32	3.41	5.45	22.68	98.62	1038.60
15 Oil, Integrated(3)	2578.72	-0.2	2582.60	2604.46	2623.52	2333.07	3.77	5.83	21.37	98.44	1064.90
16 Oil Exploration & Prod(11)	1826.74	....	1826.49	1843.16	1863.82	1720.17	2.69	‡	‡	36.03	1056.92
20 GEN MANUFACTURERS(267)	1826.35	-0.2	1829.47	1825.89	1833.68	1944.77	4.25	5.49	22.04	72.30	936.48
21 Building & Construction(33)	983.72	-0.4	987.87	990.51	999.85	1189.11	3.96	5.67	22.52	36.70	775.64
22 Building Matls & Merchs(32)	1757.64	-0.3	1763.20	1758.61	1768.49	2067.75	4.26	5.73	21.09	72.50	885.06
23 Chemicals(23)	2254.96	+0.1	2253.77	2250.74	2269.71	2228.96	4.19	4.71	26.46	94.37	1007.14
24 Diversified Industrials(16)	1747.64	-0.1	1749.99	1744.03	1739.19	1970.73	5.30	5.59	21.34	82.92	896.89
25 Electronic & Elect Equip(34)	1821.89	-0.5	1831.16	1825.34	1831.45	1998.09	4.16	6.93	17.20	62.15	893.24
26 Engineering(71)	1788.50	-0.2	1792.76	1793.55	1805.70	1745.80	3.39	5.53	21.22	59.92	1030.34
27 Engineering, Vehicles(12)	2199.30	....	2198.28	2195.29	2203.80	2051.43	4.65	1.57	80.00†	92.54	1075.72
28 Printing, Paper & Pckg(26)	2774.57	+0.2	2768.12	2758.73	2789.70	2513.69	3.13	5.60	20.82	84.04	1097.07
29 Textiles & Apparel(20)	1541.22	-0.1	1542.83	1538.86	1539.60	1836.94	4.38	6.45	20.10	63.82	880.96
30 CONSUMER GOODS(97)	2716.21	+0.4	2704.57	2698.65	2708.81	2891.06	4.46	7.40	16.67	117.15	942.29
31 Breweries(17)	2175.22	-0.4	2183.14	2158.42	2180.62	2265.50	4.41	8.14	14.85	88.07	977.56
32 Spirits, Wines & Ciders(10)	2671.27	-0.2	2675.70	2679.42	2681.85	2925.47	4.28	7.12	16.22	113.28	903.18
33 Food Manufacturers(23)	2240.70	-0.1	2242.73	2248.51	2263.58	2358.05	4.40	7.87	15.05	100.22	951.72
34 Household Goods(13)	2296.79	+0.8	2279.42	2278.36	2295.40	2628.88	3.97	7.90	15.26	90.45	831.92
36 Health Care(21)	1550.89	+0.4	1545.12	1543.64	1561.10	1705.43	3.26	3.41	41.57	49.70	904.28
37 Pharmaceuticals(12)	3123.14	+1.1	3089.31	3075.42	3072.74	3129.55	4.32	6.89	16.77	133.07	1001.86
38 Tobacco(1)	3666.03	+0.9	3632.47	3628.28	3670.23	4475.58	5.92	9.38	11.46	217.07	898.25
40 SERVICES(218)	1855.44	-0.5	1865.17	1868.38	1879.44	1977.80	3.39	6.86	17.68	63.32	918.63
41 Distributors(30)	2533.74	+0.1	2530.35	2521.48	2524.18	2784.48	3.80	7.29	16.24	92.13	884.87
42 Leisure & Hotels(25)	2101.82	+0.8	2085.97	2082.91	2090.69	1992.64	3.39	5.28	22.15	67.69	1039.16
43 Media(38)	2827.89	....	2826.83	2822.70	2852.09	2797.45	2.49	5.40	21.64	71.39	984.58
44 Retailers, Food(16)	1699.90	-0.2	1702.67	1709.86	1708.46	1604.55	3.86	9.38	13.09	60.63	1023.04
45 Retailers, General(45)	1507.11	-2.1	1538.94	1546.86	1567.95	1818.55	3.55	7.55	16.51	68.66	819.88
48 Support Services(41)	1472.09	-0.5	1479.00	1474.80	1488.00	1601.88	2.91	6.86	17.89	39.51	869.49
49 Transport(16)	2169.04	-0.2	2172.98	2182.35	2205.33	2479.65	3.93	6.43	18.31	72.24	856.72
51 Other Services & Business(6)	1228.95	-0.3	1232.74	1233.84	1237.70	1143.20	3.63	3.92	35.54	32.87	1061.78
60 UTILITIES(36)	2335.50	+0.5	2324.27	2341.83	2368.71	2611.86	4.82	8.10	15.02	97.66	908.82
62 Electricity(17)	2448.05	+0.3	2440.66	2499.27	2526.64	2360.91	3.86	10.12	11.83	111.39	1029.68
64 Gas Distribution(2)	2039.49	+1.1	2017.10	2011.85	2025.61	2309.43	5.88	‡	‡	119.82	957.93
66 Telecommunications(4)	1932.52	+0.3	1927.34	1908.12	1935.06	2353.53	4.40	8.12	14.98	57.29	827.14
68 Water(13)	1708.25	+0.9	1692.59	1750.42	1767.68	2024.86	5.85	14.30	7.61	88.43	882.87
69 NON-FINANCIALS(636)	1814.12	....	1813.99	1816.46	1828.45	1706.74	4.06	6.68	17.99	62.74	1149.33
70 FINANCIALS(104)	2135.14	+0.3	2129.76	2128.79	2142.13	2483.39	4.58	9.33	12.42	92.20	850.76
71 Banks(10)	2825.89	-0.5	2841.17	2834.75	2846.38	3217.64	4.30	10.35	11.07	118.39	849.62
73 Insurance(17)	1171.75	-0.1	1172.84	1176.27	1191.77	1462.38	5.77	10.42	10.94	62.67	809.90
74 Life Assurance(6)	2337.88	+1.1	2313.28	2321.90	2342.54	2711.11	5.47	7.97	15.30	127.82	904.70
75 Merchant Banks(6)	3073.59	+7.5	2859.26	2855.08	2873.25	3207.38	3.39	9.06	12.84	103.78	933.51
77 Other Financial(24)	1831.88	+1.1	1811.94	1819.73	1830.17	1819.98	3.98	8.54	14.08	69.50	985.62
79 Property(41)	1369.94	+0.8	1358.46	1357.82	1367.58	1909.86	4.50	4.87	25.54	51.72	788.67
80 INVESTMENT TRUSTS(124)	2689.37	-0.2	2695.39	2703.16	2722.13	2793.96	2.37	1.99	50.35	59.98	805.62
89 FT-SE-A ALL-SHARE(864)	1496.39	....	1495.82	1497.72	1507.05	1606.20	4.09	6.92	17.19	58.31	1185.48

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3008.5	3003.9	3013.7	3014.8	3012.3	3012.8	3014.6	3021.5	3012.3	3022.1	3002.4
FT-SE Mid 250	3422.3	3422.5	3427.0	3426.8	3425.7	3425.8	3426.4	3428.8	3427.9	3429.5	3421.0
FT-SE-A 350	1507.2	1505.4	1509.7	1510.1	1509.0	1509.2	1510.0	1512.9	1509.2	1513.1	1504.9

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	52	5	13
Other Fixed Interest	0	2	12
Mineral Extraction	73	38	85
General Manufacturers	92	141	395
Consumer Goods	34	47	105
Services	71	102	318
Utilities	22	8	13
Financials	94	73	198
Investment Trusts	65	96	314
Others	30	51	34
Totals	523	563	1487

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	December 5	Expiry	March 9
Last Dealings	December 16	Settlement	March 23

Calls: AB Eng., Arlon, Brent Walker Pf., Caird, CRP Leis., Gaelic Res., Hanson Pf., Kenmare, Minmet, NSM, Queensborough, Signet Pf., Tullow Oil, Union Pf., Utd. Energy, World Fluids Puts: Kenmare, Minmet, NSM, Tullow Oil, World Fluids Put & Call: BT

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	81.0	151	145	Ashbourne	151		WN3.0	3.1	2.5	13.9
100	F.P.	4.66	94	93	Asset Man Inv	93		-	-	-	-
280	F.P.	30.3	287	280	Churchill China	285		RN9.86	2.2	4.3	13.0
-	F.P.	61.9	151	133	Clydeport	151		RN3.51	-	2.9	-
100	F.P.	20.4	130	101	Euclidian	102		-	-	-	-
141	F.P.	23.5	143	143	Eurovein	143		WN6.2	1.8	5.4	11.4
-	F.P.	478.0	485	478	Fidelity Spec Unts	478		-	-	-	-
100	F.P.	10.8	101	98	Finsbury Smlr C	98	-1	-	-	-	-
$10	F.P.	37.5	625	615	First Russian Fr	625		-	-	-	-
100	F.P.	45.5	94	91	Fleming Nat Res	91		-	-	-	-
100	F.P.	30.3	106	98½	For & Col Emrg C	105½	+½	-	-	-	-
100	F.P.	30.8	102	98	Hoare Govett 1000	102		-	-	-	-
80	F.P.	10.9	83	83	Hydro Intl.	83		RN-	-	-	33.8
-	F.P.	28.8	100	90	INVESCO Korea C	98	-1	-	-	-	-
215	F.P.	69.0	232	229	JJB Sports	230	-1	RN6.0	2.4	3.3	14.1
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
100	F.P.	42.5	94	82	Matheson Lloyds	85	+2	-	-	-	-
100	F.P.	58.5	92	89	Murray Emrg Econ	90		-	-	-	-
-	F.P.	5.07	40	38	Do Warrants	39		-	-	-	-
-	F.P.	15.4	145	145	RAP Group	145		RN4.65	2.1	4.0	11.3
120	F.P.	65.2	144	120	SeaPerfect	132½	-1½	-	-	-	-
115	F.P.	235.0	135	117	TLG	132		WN3.5	2.0	3.3	19.0
170	F.P.	19.4	173	165	Tele-Cine Cell	165		RN5.44	2.2	4.1	11.4
182	F.P.	1,508.8	188	182	Telewest	183	-1	-	-	-	-
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
285	Nil	6/1	80pm	34pm	Laird	52pm	
37	Nil	3/1	5pm	2pm	OMI	2pm	
285	Nil	6/1	57½pm	30pm	Seton Health.	30pm	
25	Nil	16/1	4pm	¾pm	Usborne	¾pm	-¾

FINANCIAL TIMES EQUITY INDICES

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 2	Yr ago	*High	*Low
Ordinary Share	2323.2	2319.7	2318.3	2328.9	2323.6	2462.9	2713.6	2240.6
Ord. div. yield	4.50	4.51	4.50	4.48	4.49	3.77	4.61	3.43
Earn. yld. % full	6.59	6.59	6.59	6.55	6.57	4.29	6.61	3.82
P/E ratio net	17.50	17.52	17.52	17.61	17.56	29.38	33.49	16.94
P/E ratio nil	17.07	17.08	17.09	17.17	17.14	27.21	30.80	17.02

*For 1994. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2319.9	2317.2	2325.0	2326.2	2324.6	2325.0	2326.1	2330.7	2322.1	2330.9	2316.4

	Dec 8	Dec 7	Dec 6	Dec 5	Dec 2	Yr ago
SEAQ bargains	18710	18,293	17,502	18,391	17,795	40,655
Equity turnover (£m)†	-	1211.2	831.5	1195.3	1033.5	1959.2
Equity bargains†	-	25,256	24,010	26,779	24,881	45,706
Shares traded (ml)†	-	494.3	424.6	480.3	404.0	825.4

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅝	-⅛	£25¼	£19⅝	6,719	5.0	♦
ANZ A$		196	-3	276¼	171	2,808	6.3	♦
Abbey National	†N□	413	—	523	380½	5,418	4.7	13.9
Allied Irish I£	‡†N□	347	—	314	233	1,646	5.1	9.8
Anglo Irish I£	N□	53xd	—	79	50	182.4	8.3	♦
Asahi Y	□	719¾	+10¾	818¼	628	8,432	0.6	♦
Banco Bil Viz Ptz	□	2169	-⅛	817	£14⅛	3,877	5.0	7.5
Banco Sant Pta		224¾	—	*£30½	£23¼	3,721	5.8	8.8
Bk Ireland I£	‡†N□	280xd	-1	*319	246	1,367	6.0	8.3
Bank Scotland	‡†N□	207xd	—	247	172½	2,417	3.2	11.7
9¾pc Pf		117½	+½	141½	106	117.5	9.8	—
9¼pc Pf		123¼	+½	148½	111¼	123.2	8.9	—
Barclays	‡†N□	602	+3	648	487	9,812	3.5	18.6
Dai Ichi Kan Y	□	£11⅛	-⅛	£12⅞	£10⅞	35,548	0.5	—
Deutsche DM	□	£285¾	-5⅛	£344¾	£270⅝	14,014	2.3	—
Espirito Santo	□	25	-⅛	*£13⅞	£7⅞	170.9	4.8	4.0
First Nat Fin	N□	61	—	*90	60	103.0	3.1	—
6.3pc Cv Pf		72	—	*90	70	4.84	10.9	—
7pc Cv Pf		117	-½	171	117	59.5	7.5	—
Fuji Bank Y	□	1290¼	-16½	1568¼	1152½	37,813	0.4	♦
HSBC HK	†N□	687	-11½	1133	660	12,031	4.5	9.9
HSBC (75p Shs)	†N□	695	-8	1113	660	5,921	4.4	10.1
Irish Permanent	N□	223	—	223	205	169.8	5.4	7.8
Lloyds	†N□	558	—	660	519	7,221	5.2	10.9
Mitsubishi Y	□	£14⅝	-⅛	£18⅞	£13⅞	41,474	0.4	♦
Mits Tst & Bk Y	□	891	-28	1162¼	887½	10,677	0.6	14.1
Mitsui Tst & Bk Y	□	627	-9¾	878	514	7,511	0.9	21.1
Nat Aust A$		524	-1	620¼	472	7,014	7.0	♦
NatWest	†N□	514	—	622	421	8,815	4.7	9.6
Ottomane FFr		£21½	—	233	£21	107.6	0.8	♦
Ryl Bk Scotland	‡†N□	409	-6	528	377½	3,276	4.3	9.7
Sakura Y	□	£8⅞	+⅛	£9⅞	£8⅛	28,636	0.6	53.0
Sanwa Y	□	£12⅛	-⅛	£15⅞	£11⅞	38,009	0.5	—
Standard Chartd	†N□	278	-4	*350¼	223	2,679	2.9	9.5
7 3/8pc Prf		96	+¼	108½	82¼	94.0	9.8	—
Sumitomo Y	□	£11⅛	-⅛	£16⅞	£10⅞	35,984	0.5	24.3
Sumitomo Tst Y	□	827½	-8¾	1148½	825	10,281	0.7	♦
TSB	†N□	230	—	281	197	3,521	4.4	11.5
Tokai Y	□	£7⅞	—	99	£6⅞	15,512	0.8	47.6
Toyo Tst & Bk Y	□	680¾	+1¾	852	589¼	6,827	0.8	58.4
Westpac A$		211¼	—	280	194	3,944	2.8	♦
Yasuda Tst Bk Y	†□	509¼	+2¾	666	442	5,617	1.0	44.9

CHEMICALS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr	□	552	+⅛	*271	543	843.2	14.3	[illegible]
Akzo Fl	□	£70⅞	-⅛	852	852	3,242	3.3	[illegible]
Allied Colloids	†N□	118	-1	*160½	115½	626.9	2.5	[illegible]
Amber Ind	†N	780xd	—	780	705	30.7	3.3	[illegible]
BASF DM	□	£121⅞	-2⅛	£140⅞	£106⅞	7,106	7.6	[illegible]
BOC	‡†N□	732xd	+11	787	627	3,490	4.2	[illegible]
BTP	‡†N□	288	+2	*373	281	388.8	4.6	[illegible]
Bayer DM	□	£157⅞	+1½	£160⅛	£129⅞	8,242	6.5	[illegible]
Brent	N□	160	—	131	98	88.6	4.9	[illegible]
British Vita	†N□	228	—	300	210	488.1	4.1	[illegible]
Cambridge Iso $	‡	19	—	25	18	2.48	—	[illegible]
Canning (W)	‡N□	180	-1	199	153	62.6	4.9	[illegible]
Cementone	‡N	90	—	100	90	11.0	6.8	[illegible]
Warrants		17	—	46	17	4.15	—	[illegible]
Courtaulds	†N□	461xd	-1	580	420	1,736	4.3	[illegible]
Croda	†N□	362	—	388	327	478.9	3.0	[illegible]
DocRex	‡N	133	—	143	95	14.1	4.3	[illegible]
Engelhard $		£13⅞	-⅛	£20⅞	£13⅞	1,302	2.3	[illegible]
European Colour	‡†N□	62½xd	—	68½	33½	18.8	2.8	[illegible]
Gibbon	‡N	115	—	140	110	18.4	6.1	[illegible]
Hickson	‡N□	138	—	228	137	242.7	7.2	[illegible]
Hoechst DM	□	£124⅛	-3⅛	£163¾	£109⅞	7,233	5.9	[illegible]
Holliday Chemical	†N□	212	—	*270	153¼	220.3	2.8	[illegible]
ICI	N□	749	-5	868	728	5,422	4.6	[illegible]
Inspec	L□	220	-2	232	178	187.7	2.0	[illegible]
Kalon	‡†N□	139¼	—	181½	133½	187.1	3.9	[illegible]
Laporte	‡†N□	698	-1	843	683	1,284	3.8	[illegible]
MTM	‡□	82	—	98	48	30.4	0.8	[illegible]
Manders	N□	300	—	405	237	119.1	4.2	[illegible]
McLeod Russel	N□	114xd	—	127	100	66.7	6.9	[illegible]
Metrotect Inds	‡N□	68	—	128	61	18.4	6.5	[illegible]
Perstorp SKr	□	£24⅛	-⅛	£32⅛	£20⅞	121.4	1.8	[illegible]
Porvair	‡†N	280	—	348	295	45.0	1.9	[illegible]
Scapa	‡†N□	195½xd	—	272	186	404.1	3.8	[illegible]
Sutcliffe Speak	‡†N□	30	—	69	30	16.9	2.9	[illegible]
Wardle Storeys	N□	344xd	+5	480	337	96.7	6.3	[illegible]
Wellington	W□	191	—	229	191	45.2	3.4	[illegible]
Wolstenholme	‡†N	783	—	823	570	98.7	3.0	[illegible]
Yorkshire	‡†N□	352	+4	*483	345	181.2	2.9	[illegible]
Yule Catto	†N□	277	-2	380	268	276.7	3.0	[illegible]

DISTRIBUTORS

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Toronto-Dom		9½	-⅛	11¼	9⅛	2,858	4.3	
Trans Can Pipe	♥	7¾	+⅛	10½	7¾	1,446	4.9	

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£26	—	£34	£13½	2,217	2.2	24.9
Barlow	♣	£5¼	—	£5½	£3¾	1,858	1.9	ϕ
Gold Flds Prop R		118xa	—	128	75	12.1	7.9	ϕ
MK Props		85	—	98	85	3.82	12.7	–
SASOL	♥	488	—	582	280	2,814	2.9	–
SA Brews	†	£14½xd	—	£16⅞	£10	4,157	2.0	23.3
Tiger Oats		760	+13	838	538	1,147	2.0	ϕ
Tongaat-Hulett	†h	725xc	—	*725	356¼	888.8	2.0	21.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♠ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ϕ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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CURRENCIES AND MONEY

MARKETS REPORT

Uncertainty about outlook for UK interest rates

Sterling traded steadily yesterday, unaffected by the supplementary budget statement presented by the chancellor Mr Kenneth Clarke, *writes Philip Gawith*.

The new revenue measures announced were in line with expectations, and there was little market response.

Sterling closed one pfennig firmer in London at DM2.4674, from DM2.4576. This upward move reflected Wednesday's 50 basis point rise in UK interest rates, and came before Mr Clarke's budgetary remarks.

More interesting for the market was the appearance before the Treasury select committee of Mr Eddie George, the governor of the Bank of England. His comments left the market confused about the outlook for interest rates.

The dollar had a stronger day, moving from a morning low in Europe, of DM1.5677 to a high later of DM1.5793. It finished slightly firmer against the yen, at Y100.465, from Y100.15.

In Germany the Bundesbank council, as expected, left all its main interest rates unchanged. The Swedish central bank also left rates unchanged, despite expectations of a monetary tightening following recent strong data.

■ Mr George caused some confusion when he said he hoped that British interest rates would plateau "fairly soon".

This appeared to contradict other parts of his testimony, which were seen as pointing towards a further rate rise in the first quarter. Mr Richard Phillips, analyst at brokers GNI, said: "People are very confused about what the peak is going to be in the interest rate cycle."

■ Pound in New York

Dec 8	Latest	Prev. close
£ spot	1.5625	1.5680
1 mth	1.5624	1.5659
3 mth	1.5623	1.5657
1 yr	1.5612	1.5635

Mr Mike Gallagher, director of IDEA, the financial analysis service, said Mr George's comments "held out that the top of the UK interest rate cycle was nearer than in previous situations." While this was good for short sterling, "it tends to sap the upside potential of sterling."

Mr George's comments were taken as a buy signal by short sterling traders, and the March contract finished up at 92.59 from 92.56.

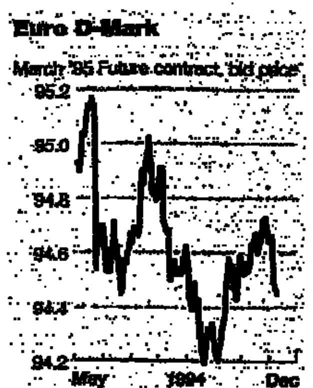
Mr Chris Turner, currency strategist at BZW, said that with expectations of another rise in US rates having hardened, following recent comments from Mr Alan Greenspan, chairman of the Fed, there was now little to choose between US and UK rates.

The March eurodollars contract is discounting an interest rate of 7.25 per cent, compared to 7.41 for the equivalent short sterling contract.

Mr Turner said the danger for sterling was that by the end of the month the market might be discounting higher interest rates in the US than in the UK. It was possible, therefore, that a by-product of pre-emptive interest rate rises in the UK might be a weaker pound, if this meant UK rates peaking at a lower level than in the past.

Euro D-Mark

March '95 Future contract, bid price



Source: FT Graphite

Mr Robert Thomas, currency strategist at NatWest Markets, said the preparedness of the chancellor to go along with the Bank cast a very different complexion on UK monetary policy from in the past. In the short term, he said, this would be good for sterling.

More immediately, he said, the outlook for sterling "depends to what extent it pays attention to economic fundamentals, or to political chaos."

■ Although the dollar rose, the Orange County debacle in the US appears to be acting as a brake. Mr Carl Weinberg, chief economist at High Frequency Economics in New York, commented: "There can only be one basis for linking the dollar to the county: People now believe, quite correctly, that the Fed is most unlikely to be tightening into this situation, on the grounds that other hard-pressed entities – both public and private – could get pushed over the edge after Orange."

Mr Gallagher said the dollar's failure to move higher was a disappointment. "The impetus that drove the dollar higher seems to have petered out," he said. He predicted a trading range, for the rest of the year, of DM1.5460 to DM1.595.

He said there were definite signs of market activity slowing down, a little earlier than was normal.

■ The Bank of England provided late assistance of £740m in its daily operations, after forecasting a £1.35bn shortage. It also provided £615m at the new, higher established rate of 6¼ per cent. Three month LIBOR firmed slightly to 6 11/16 per cent from 6 5/8 per cent.

■ OTHER CURRENCIES

Dec 8	£	$
Hungary	174.424 - 174.881	111.580 - 111.880
Iran	2736.00 - 2741.00	1748.00 - 1750.00
Kuwait	0.4681 - 0.4686	0.2994 - 0.3002
Poland	37875.8 - 37928.8	24225.0 - 24245.0
Russia	5200.30 - 5204.99	3325.00 - 3328.00
U.A.E.	5.7351 - 5.7466	3.6715 - 3.6735

WORLD INTEREST RATES

MONEY RATES

December 8	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅝	5⅝	5⅝	5¾	6⅛	7.40	4.50	-
week ago	4⅝	5⅝	5¼	5⅝	6	7.40	4.50	-
France	5⅛	5½	5⅝	6⅛	6⅝	5.00	-	6.75
week ago	5⅛	5½	5⅝	5⅞	6¼	5.00	-	6.75
Germany	5.00	5.30	5.30	5.38	5.68	6.00	4.50	4.85
week ago	5.08	5.30	5.23	5.28	5.58	6.00	4.50	4.85
Ireland	5⅛	5⅝	5⅝	6⅝	7¼	-	-	6.25
week ago	5⅛	5⅝	5⅝	6⅛	7⅛	-	-	6.25
Italy	8⅛	8⅝	8⅞	9⅛	10	-	7.50	8.20
week ago	8⅛	8⅝	8⅞	9⅜	9⅞	-	7.50	8.20
Netherlands	4.84	5.32	5.40	5.54	5.91	-	5.25	-
week ago	4.84	5.32	5.34	5.44	5.77	-	5.25	-
Switzerland	3⅝	4⅛	4⅛	4¼	4¾	6.625	3.50	-
week ago	3⅝	4⅛	4⅛	4⅝	4⅞	6.625	3.50	-
US	5⅝	6⅛	6⅛	6⅞	7⅛	-	4.75	-
week ago	5⅞	6⅛	6⅝	6¾	7⅛	-	4.75	-
Japan	2¼	2⅛	2⅛	2¼	2⅞	-	1.75	-
week ago	2¼	2⅛	2⅛	2¼	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6⅝	6⅞	7⅛	-	-	-
week ago	-	6⅛	6⅝	6⅝	7⅛	-	-	-
US Dollar CDs	-	5.80	6.10	6.60	7.33	-	-	-
week ago	-	5.80	5.94	6.35	7.02	-	-	-
SDR Linked Ds	-	4⅝	4⅝	5⅛	5⅝	-	-	-
week ago	-	3⅝	3⅞	3⅝	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅝; 6 mths: 6; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 8	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼	5⅝ - 5½	5⅝ - 5½	6⅛ - 6
Danish Krone	6¼ - 6	6⅝ - 5⅞	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	5⅜ - 5¼	5⅛ - 5	5⅜ - 5¼	5⅜ - 5¼	5½ - 5⅜	5⅞ - 5¾
Dutch Guilder	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅝ - 5½	5⅝ - 5½	5⅞ - 5¾
French Franc	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅞ - 5¾	6⅛ - 6	6⅝ - 6½
Portuguese Esc.	8⅞ - 8⅝	9 - 8⅞	9⅜ - 9⅛	10⅛ - 10	10⅝ - 10⅜	10⅞ - 10⅝
Spanish Peseta	7⅝ - 7⅜	7⅝ - 7⅜	7¾ - 7⅝	8⅛ - 7⅞	8½ - 8¼	9⅛ - 9
Sterling	5½ - 5¼	6 - 5⅞	6⅛ - 6	6⅞ - 6⅝	7 - 6⅞	7⅝ - 7½
Swiss Franc	3⅞ - 3⅝	3⅞ - 3⅝	4⅛ - 3⅞	4⅜ - 4⅛	4⅝ - 4⅜	4⅞ - 4⅝
Can. Dollar	5⅝ - 5½	5⅞ - 5⅝	5⅞ - 5¾	6⅝ - 6½	6⅞ - 6¾	7⅞ - 7¾
US Dollar	5⅞ - 5⅝	5⅞ - 5⅝	6⅛ - 6	6⅝ - 6½	6⅞ - 6¾	7⅝ - 7½
Italian Lira	8 - 7½	8⅜ - 8⅛	8⅝ - 8½	8⅞ - 8¾	9⅜ - 9¼	10 - 9⅞
Yen	2⅜ - 2⅛	2⅜ - 2⅛	2⅛ - 2⅛	2⅜ - 2⅛	2½ - 2⅜	2⅞ - 2¾
Asian $Sing	3⅞ - 3⅝	4⅛ - 4⅛	4⅜ - 4⅛	4⅜ - 4⅛	4⅞ - 4⅝	4⅞ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.22	-0.05	94.26	94.21	13,563	32,687
Mar	93.84	93.81	-0.07	93.85	93.78	48,474	47,302
Jun	93.43	93.43	-0.05	93.45	93.38	11,731	37,518
Sep	93.16	93.15	-0.04	93.16	93.11	5,655	23,811

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		93.61	-0.02			0	2827
Mar		92.75	-0.03			0	1456
Jun		92.16	-0.04			0	393
Sep		91.88	-0.04			0	177

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.62	94.60	-0.04	94.63	94.58	12461	115910
Mar	94.47	94.46	-0.03	94.49	94.41	36150	184443
Jun	94.14	94.11	-0.04	94.14	94.05	29921	135479
Sep	93.79	93.76	-0.06	93.79	93.71	17124	83306

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.15	91.07	-	91.15	91.01	2601	23718
Mar	90.43	90.43	-	90.50	90.30	2148	35893
Jun	89.96	89.97	-0.01	89.99	89.92	311	16501
Sep	89.59	89.58	-0.04	89.61	89.55	96	22861

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.75	95.73	-0.03	95.75	95.71	921	12836
Mar	95.43	95.46	-	95.47	95.39	4006	17065
Jun	95.09	95.13	-0.03	95.14	95.06	640	7953
Sep	94.86	94.90	-	94.88	94.80	232	2899

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.81	93.80	-0.03	93.82	93.77	895	7535
Mar	93.49	93.50	-0.03	93.50	93.44	1347	8937
Jun	93.10	93.07	-0.06	93.10	93.06	851	4345
Sep	92.60	92.62	-0.05	92.63	92.60	121	2640

* LIFFE futures traded on APT

POUND SPOT FORWARD AGAINST THE POUND

Dec 8		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3090	+0.0701	001 - 179	17.3444	17.2880	17.2952	1.0	17.2546	1.3	-	-	115.3
Belgium	(BFr)	50.7189	+0.2294	730 - 648	50.8020	50.4630	50.6789	0.9	50.5839	1.1	49.9489	1.5	116.8
Denmark	(DKr)	9.6613	+0.0332	562 - 664	9.6725	9.6059	9.6632	-0.2	9.6545	0.3	9.6147	0.5	116.5
Finland	(FM)	7.6227	+0.0134	127 - 327	7.6400	7.5620	-	-	-	-	-	-	87.3
France	(FFr)	8.4737	+0.0291	704 - 769	8.4842	8.4244	8.4682	0.6	8.4589	0.7	8.3745	1.2	109.7
Germany	(DM)	2.4674	+0.0098	663 - 685	2.4737	2.4534	2.466	0.7	2.4615	1.0	2.4251	1.7	125.9
Greece	(Dr)	380.509	+1.846	321 - 697	381.112	378.451	-	-	-	-	-	-	-
Ireland	(I£)	1.0210	-0.0015	202 - 218	1.0234	1.0201	1.0212	-0.2	1.0202	0.3	1.0191	0.2	104.8
Italy	(L)	2550.37	+12.91	905 - 168	2551.75	2532.77	2555.47	-2.4	2565.47	-2.4	2605.77	-2.2	73.4
Luxembourg	(LFr)	50.7189	+0.2294	730 - 648	50.8020	50.4630	50.6789	0.9	50.5839	1.1	49.9489	1.5	116.8
Netherlands	(Fl)	2.7624	+0.0107	608 - 640	2.7663	2.7481	2.7606	0.8	2.7558	1.0	2.7187	1.6	120.7
Norway	(NKr)	10.7452	+0.0315	397 - 506	10.7746	10.6454	10.7456	0.0	10.7454	0.0	10.7368	0.1	96.0
Portugal	(Es)	252.109	+0.999	958 - 260	252.666	250.972	252.929	-3.9	254.404	-3.6	-	-	-
Spain	(Pta)	206.778	+1.051	679 - 876	206.905	205.538	207.068	-1.7	207.588	-1.6	209.983	-1.5	85.0
Sweden	(SKr)	11.7626	+0.0315	527 - 724	11.7867	11.6965	11.7796	-1.7	11.8121	-1.7	11.9311	-1.4	75.8
Switzerland	(SFr)	2.0895	+0.0127	881 - 908	2.0917	2.0748	2.0859	2.1	2.0784	2.1	2.033	2.7	120.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.5
Ecu	-	1.2920	+0.0037	911 - 929	1.2940	1.2884	1.2921	-0.1	1.2911	0.3	1.2824	0.7	-
SDR†	-	0.928521	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5605	-0.0006	599 - 610	1.5678	1.5540	-	-	-	-	-	-	-
Brazil	(R)	1.3268	+0.0028	243 - 282	1.3285	1.3193	-	-	-	-	-	-	-
Canada	(C$)	2.1608	+0.0028	598 - 618	2.1676	2.1512	2.1612	-0.2	2.1593	0.3	2.161	0.0	86.0
Mexico	(New Peso)	5.3956	-0.0032	917 - 995	5.4040	5.3580	-	-	-	-	-	-	-
USA	($)	1.5640	-0.0004	635 - 644	1.5685	1.5623	1.5641	-0.1	1.5637	0.1	1.5623	0.1	63.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0313	-0.0011	300 - 325	2.0393	2.0300	2.0336	-1.3	2.0379	-1.3	2.0678	-1.8	-
Hong Kong	(HK$)	12.0992	-0.0011	949 - 034	12.1313	12.0875	12.0562	4.3	12.0137	2.8	11.9452	1.3	-
India	(Rs)	49.0611	-0.0161	431 - 791	49.2040	49.0130	-	-	-	-	-	-	-
Japan	(Y)	157.123	+0.448	038 - 207	157.600	156.540	156.633	3.7	155.588	3.9	149.823	4.6	188.2
Malaysia	(M$)	4.0108	+0.0004	088 - 127	4.0204	4.0070	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4709	+0.007	692 - 726	2.4793	2.4683	2.4773	-3.1	2.489	-2.9	2.5238	-2.1	-
Philippines	(Peso)	37.6131	-0.0421	113 - 149	38.0200	37.2056	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8660	-0.0017	639 - 681	5.8827	5.8602	-	-	-	-	-	-	-
Singapore	(S$)	2.2970	+0.0012	955 - 984	2.3012	2.2948	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5677	+0.0105	645 - 708	5.5717	5.5556	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5060	-0.0176	885 - 235	6.5311	6.4875	-	-	-	-	-	-	-
South Korea	(Won)	1237.64	+0.12	720 - 807	1240.68	1236.40	-	-	-	-	-	-	-
Taiwan	(T$)	41.1479	+0.0163	302 - 656	41.2354	41.1104	-	-	-	-	-	-	-
Thailand	(Bt)	39.2552	+0.0356	282 - 821	39.3250	39.2130	-	-	-	-	-	-	-

†SDR rates for Dec 7. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 8		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.0675	+0.048	650 - 700	11.0700	11.0220	11.06	0.8	11.0435	0.9	10.946	1.1	104.3
Belgium	(BFr)	32.4300	+0.156	100 - 500	32.4750	32.1950	32.4045	0.9	32.34	1.1	31.985	1.4	105.9
Denmark	(DKr)	6.1775	+0.023	760 - 790	6.1840	6.1308	6.1748	0.5	6.1785	-0.1	6.1675	0.2	105.1
Finland	(FM)	4.8740	+0.01	690 - 790	4.8805	4.8313	4.8693	1.2	4.8645	0.8	4.8525	0.4	81.6
France	(FFr)	5.4181	+0.0201	176 - 186	5.4260	5.3760	5.4148	0.7	5.4086	0.7	5.3571	1.1	106.0
Germany	(D)	1.5777	+0.0067	774 - 779	1.5798	1.5652	1.5766	0.8	1.5737	1.0	1.5517	1.6	106.9
Greece	(Dr)	243.300	+1.25	250 - 350	243.600	242.050	246	-13.3	250.55	-11.9	269.05	-10.6	68.3
Ireland	(I£)	1.5318	+0.0018	310 - 325	1.5354	1.5284	1.5323	-0.4	1.5328	-0.2	1.5318	0.0	-
Italy	(L)	1630.73	+8.73	035 - 110	1631.10	1617.00	1634.18	-2.5	1640.23	-2.3	1666.23	-2.2	74.0
Luxembourg	(LFr)	32.4300	+0.156	100 - 500	32.4750	32.1950	32.4045	0.9	32.34	1.1	31.985	1.4	105.9
Netherlands	(Fl)	1.7663	+0.0073	658 - 668	1.7690	1.7531	1.7651	0.8	1.7622	0.9	1.7401	1.5	105.6
Norway	(NKr)	6.8705	+0.022	690 - 720	6.8830	6.8022	6.8717	-0.2	6.869	0.1	6.8605	0.1	96.2
Portugal	(Es)	161.200	+0.685	150 - 250	161.500	160.550	161.725	-3.9	162.85	-4.1	166.45	-3.3	95.1
Spain	(Pta)	132.215	+0.71	190 - 240	132.250	131.190	132.4	-1.7	132.72	-1.5	134.415	-1.7	80.2
Sweden	(SKr)	7.5211	+0.0223	169 - 252	7.5276	7.4737	7.5309	-1.6	7.5541	-1.8	7.6621	-1.9	81.0
Switzerland	(SFr)	1.3360	+0.0085	355 - 365	1.3373	1.3233	1.3335	2.3	1.3288	2.2	1.301	2.6	106.4
UK	(£)	1.5640	-0.0004	635 - 644	1.5685	1.5623	1.5641	-0.1	1.5637	0.1	1.5623	0.1	88.7
Ecu	-	1.2105	-0.0036	100 - 110	1.2187	1.2090	1.2108	-0.3	1.2114	-0.3	1.2187	-0.7	-
SDR†	-	1.45425	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9978	-0.0001	977 - 978	0.9978	0.9977	-	-	-	-	-	-	-
Brazil	(R)	0.8480	+0.002	470 - 490	0.8490	0.8430	-	-	-	-	-	-	-
Canada	(C$)	1.3817	+0.0022	814 - 819	1.3828	1.3727	1.3811	0.5	1.381	0.2	1.3837	-0.1	82.7
Mexico	(New Peso)	3.4500	-0.001	485 - 515	3.4550	3.4360	3.451	-0.3	3.4528	-0.3	3.4602	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2988	-0.0003	984 - 992	1.3009	1.2984	1.2995	-0.7	1.3013	-0.8	1.3141	-1.2	91.1
Hong Kong	(HK$)	7.7363	+0.0015	358 - 368	7.7368	7.7350	7.7343	0.3	7.7331	0.2	7.7408	-0.1	-
India	(Rs)	31.3700	-0.0025	675 - 725	31.3775	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	100.465	+0.315	440 - 490	100.640	99.8700	100.135	3.9	99.465	4.0	95.87	4.6	149.1
Malaysia	(M$)	2.5645	+0.001	640 - 650	2.5650	2.5618	2.5615	1.4	2.557	1.2	2.585	-0.8	-
New Zealand	(NZ$)	1.5799	+0.005	793 - 805	1.5823	1.5790	1.5808	-0.7	1.5833	-0.9	1.5923	-0.9	-
Philippines	(Peso)	24.0500	-0.02	000 - 000	24.3000	23.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-	505 - 510	3.7510	3.7505	3.7544	-1.1	3.7613	-1.1	3.7758	-0.7	-
Singapore	(S$)	1.4687	+0.0012	682 - 692	1.4700	1.4639	1.4672	1.3	1.4637	1.4	1.4472	1.5	-
S Africa (Com.)	(R)	3.5600	+0.0077	590 - 610	3.5610	3.5530	3.5755	-5.2	3.6076	-5.3	3.7725	-6.0	-
S Africa (Fin.)	(R)	4.1600	-0.01	500 - 700	4.1700	4.1450	4.188	-8.1	4.2325	-7.0	4.47	-7.5	-
South Korea	(Won)	791.350	+0.3	300 - 400	791.400	791.100	794.35	-4.5	797.85	-3.3	816.35	-3.2	-
Taiwan	(T$)	26.3103	+0.018	065 - 140	26.3080	26.2800	26.3303	-0.9	26.3703	-0.9	-	-	-
Thailand	(Bt)	25.1000	+0.03	900 - 100	25.0900	25.0750	25.1295	-1.4	25.2205	-1.9	25.625	-2.1	-

†SDR rate for Dec 7. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 7. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 8		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.05	16.71	4.864	2.013	5028	5.448	21.18	497.0	407.5	23.19	4.119	1.972	4.261	3.084	309.7	2.547
Denmark	(DKr)	52.50	10	8.770	2.554	1.057	2639	2.859	11.12	260.9	214.0	12.17	2.162	1.035	2.237	1.619	162.6	1.337
France	(FFr)	59.86	11.40	10	2.912	1.205	3010	3.260	12.68	297.5	244.0	13.88	2.465	1.180	2.550	1.846	185.4	1.525
Germany	(DM)	20.56	3.916	3.435	1	0.414	1034	1.120	4.353	102.2	83.79	4.767	0.847	0.405	0.876	0.634	63.68	0.524
Ireland	(I£)	49.68	9.462	8.299	2.416	1	2498	2.705	10.52	246.9	202.4	11.52	2.046	0.979	2.117	1.532	153.9	1.265
Italy	(L)	1.989	0.379	0.332	0.097	0.040	100.	0.108	0.421	9.886	8.106	0.461	0.082	0.039	0.085	0.061	6.161	0.051
Netherlands	(Fl)	18.36	3.498	3.068	0.893	0.370	923.2	1	3.888	91.27	74.84	4.258	0.756	0.362	0.782	0.566	56.88	0.468
Norway	(NKr)	47.23	8.995	7.889	2.297	0.951	2374	2.572	10	234.7	192.5	10.95	1.945	0.931	2.012	1.456	146.3	1.203
Portugal	(Es)	20.12	3.832	3.361	0.979	0.405	1012	1.096	4.260	100.	81.99	4.665	0.829	0.397	0.857	0.620	62.32	0.512
Spain	(Pta)	24.54	4.674	4.099	1.194	0.494	1234	1.336	5.196	122.0	100.	5.689	1.011	0.484	1.045	0.757	76.00	0.625
Sweden	(SKr)	43.13	8.215	7.205	2.098	0.868	2168	2.349	9.133	214.4	175.8	10	1.776	0.850	1.838	1.330	133.6	1.099
Switzerland	(SFr)	24.28	4.625	4.056	1.181	0.489	1221	1.322	5.141	120.7	98.95	5.629	1	0.479	1.034	0.749	75.20	0.618
UK	(£)	50.72	9.661	8.473	2.467	1.021	2550	2.762	10.74	252.1	206.7	11.76	2.089	1	2.161	1.564	157.1	1.292
Canada	(C$)	23.47	4.471	3.921	1.142	0.472	1180	1.278	4.970	116.7	95.65	5.442	0.967	0.463	1	0.724	72.70	0.598
US	($)	32.43	6.177	5.418	1.577	0.653	1630	1.766	6.867	161.2	132.2	7.519	1.336	0.639	1.382	1	100.4	0.826
Japan	(Y)	32.29	6.150	5.393	1.570	0.650	1623	1.758	6.836	160.5	131.6	7.486	1.330	0.637	1.376	0.996	100.	0.822
Ecu		39.26	7.478	6.558	1.909	0.790	1974	2.138	8.313	195.1	160.0	9.102	1.617	0.774	1.673	1.211	121.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6375	0.6338	-0.0038	0.6388	0.6332	44,352	75,913
Mar	0.6385	0.6351	-0.0039	0.6402	0.6345	14,526	36,979
Jun	0.6390	0.6374	-0.0047	0.6390	0.6374	97	1,885

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0024	0.9952	-0.0071	1.0024	0.9943	31,362	61,339
Mar	1.0100	1.0042	-0.0071	1.0111	1.0037	9,0809	38,297
Jun	-	1.0245	+0.0017	-	-	45	1,378

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7552	0.7488	-0.0053	0.7560	0.7479	24,569	44,678
Mar	0.7590	0.7524	-0.0053	0.7590	0.7514	4,494	16,513
Jun	0.7580	0.7572	-0.0050	0.7580	0.7570	13	459

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5674	1.5632	-0.0020	1.5684	1.5620	18,595	43,373
Mar	1.5640	1.5626	-0.0024	1.5660	1.5616	4,532	31,193
Jun	-	1.5620	-	1.5650	1.5620	9	157

UK INTEREST RATES

LONDON MONEY RATES

Dec 8	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 4	6⅜ - 6⅛	6¼ - 6	6½ - 6⅜	7 - 6 13/16	7⅝ - 7½
Sterling CDs	-	-	6⅛ - 6	6⅝ - 6½	6 13/16 - 6 11/16	7⅝ - 7½
Treasury Bills	-	-	5⅞ - 5¾	6⅛ - 6	-	-
Bank Bills	-	-	6 - 5⅞	6⅜ - 6⅛	6⅝ - 6½	-
Local authority deps.	6⅛ - 5 15/16	6⅛ - 6⅛	6⅛ - 6⅛	6⅞ - 6⅝	6 15/16 - 6 13/16	7 11/16 - 7⅜
Discount Market deps	7 - 5½	6¼ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.8560pc. ECGD fixed rate Stg. Export Finance. Make up day Nov 30, 1994. Agreed rate for period Dec 26, 1994 to Jan 24, 1995, Schemes II & III 7.30pc. Reference rate for period Nov 1, 1994 to Nov 30, 1994, Schemes IV & V 6.107pc. Finance House Base Rate 6½pc from Dec 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.45	93.47	+0.01	93.48	93.43	13638	113081
Mar	92.55	92.59	+0.03	92.62	92.51	30161	90614
Jun	91.94	91.98	+0.03	92.03	91.89	11764	63521
Sep	91.48	91.53	+0.03	91.56	91.43	8826	62179

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9325	0.23	0.05	0.07	0.01	0.71	1.34
9350	0.04	0.02	0.04	0.07	0.93	1.56
9375	0.01	0	0.02	0.29	1.16	1.79

Est. vol. total, Calls 6769 Puts 16619. Previous day's open int., Calls 336565 Puts 242557

EMS EUROPEAN CURRENCY UNIT RATES

Dec 8	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14508	+0.00125	-2.35	6.60	-
Belgium	40.2123	39.3831	+0.0224	-2.06	6.29	15
Ireland	0.808628	0.792424	-0.003417	-2.00	6.22	14
Germany	1.94964	1.91521	+0.00122	-1.77	5.97	-
France	6.53883	6.57671	+0.00021	0.58	3.60	-5
Denmark	7.43679	7.49898	+0.004	0.84	3.23	-6
Portugal	192.854	195.856	+0.136	1.56	2.50	-10
Spain	154.250	160.588	+0.171	4.10	0.00	-29
NON ERM MEMBERS						
Greece	264.513	295.418	+0.293	11.68	-6.79	-
Italy	1793.19	1976.02	-1.01	10.20	-5.54	-
UK	0.786749	0.776414	-0.002118	-1.31	5.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.525	3.71	4.08	4.53	-	0.34	0.82
1.550	1.46	2.30	2.87	0.16	0.99	1.63
1.575	0.19	1.05	1.69	1.38	2.22	2.82
1.600	-	0.39	0.89	3.60	4.00	4.50
1.625	-	0.10	0.41	6.08	8.19	6.49
1.650	-	-	0.16	8.53	8.52	8.66

Previous day's vol., Calls 8,053 Puts 11,107. Prev. day's open int., Calls 400,680 Puts 360,033

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.65	93.60	-0.04	93.68	93.67	125,372	328,076
Mar	92.81	92.74	-0.07	92.85	92.72	304,968	489,220
Jun	92.26	92.17	-0.07	92.27	92.15	218,869	356,992

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	-	94.26	-	-	-	1,838	3,314
Mar	93.42	93.41	-0.03	93.45	93.39	8,563	18,029
Jun	92.88	92.84	-0.06	92.88	92.83	228	3,671

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9450	0.13	0.09	0.11	0.16	0.08	0.13	0.15	0.20
9475	0.02	0.02	0.03	0.06	0.17	0.31	0.32	0.35
9500	0	0	0.01	0.02	0.40	0.54	0.56	0.58

Est. vol. total, Calls 3863 Puts 2823. Previous day's open int., Calls 229052 Puts 206677

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9550	0.24	0.16	0.12	0.01	0.20	0.49
9575	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	6.25
●Henry Ansbacher	6.25
Bank of Baroda	6.25
Banco Bilbao Vizcaya	6.25
Bank of Cyprus	5.75
Bank of Ireland	6.25
Bank of India	6.25
Bank of Scotland	6.25
Barclays Bank	6.25
Brit Bk of Mid East	6.25
●Brown Shipley & Co Ltd	6.25
CL Bank Nederland	6.25
Citibank NA	6.25
Clydesdale Bank	6.25
The Co-operative Bank	6.25
Coutts & Co	6.25
Credit Lyonnais	6.25
Cyprus Popular Bank	6.25
Duncan Lawrie	6.25
Exeter Bank Limited	7.25
Financial & Gen Bank	6.5
●Robert Fleming & Co	6.25
Girobank	6.25
●Guinness Mahon	6.25
Habib Bank AG Zurich	6.25
●Hambros Bank	6.25
Heritable & Gen Inv Bk	6.25
●Hill Samuel	6.25
C. Hoare & Co	6.25
Hongkong & Shanghai	6.25
Julian Hodge Bank	6.25
●Leopold Joseph & Sons	6.25
Lloyds Bank	6.25
Meghraj Bank Ltd	6.25
Midland Bank	6.25
●Mount Banking	6.25
NatWestminster	6.25
Rea Brothers	5.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Royal Bk of Scotland	6.25
●Smith & Williamson Secs.	6.25
TSB	6.25
●United Bk of Kuwait	6.25
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	6.25
Yorkshire Bank	6.25

● Members of London Investment Banking Association
* In administration

RAND MINES LIMITED

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 114

1. Coupon No: 114
2. Date of payment: On or after 13 December 1994
3. Amount: 40 cents per share (South African currency)
4. South African Non-Resident Shareholders Tax (SANRST): 15% or 6.00 cents per share
5. UK income tax (where applicable): 5% or 2.00 cents per share
6. UK currency equivalents (on 1 December 1994):

Gross:	7.14362p per share
SANRST:	1.07154p per share
UK Tax:	0.35718p per share
Net:	5.71490p per share

7. Payable at:

Barclays Global Securities Services	Barclays Bank PLC
London Counter Services	Guichet Titres
8 Angel Court, Throgmorton Street	21 rue Laffitte
London EC2R 7HT	75428 Paris FRANCE

Notes:

i) Coupons paid by Barclays Bank PLC in Paris will be payable in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the payment proceeds can only be given to such authorised dealer by the paying agent concerned.

ii) Coupons paid by Barclays Global Securities Services in the United Kingdom will, unless payment in South African currency is requested, be in the sterling equivalent shown in 6 above in respect of coupons lodged up to 6 December 1994 and thereafter at the rate of exchange on the day the proceeds are remitted.

iii) Holders of share warrants to bearer are reminded that the share warrants in their possession require to be endorsed to reflect the new nominal value of the ordinary shares of 25 cents each, instead of R1 each, as a result of the sub-division of ordinary shares passed by Special Resolution on 23 November 1993. Share warrants to bearer should be surrendered to one of the abovementioned paying agents for this purpose.

United Kingdom Secretaries
VIADUCT CORPORATE SERVICES LIMITED
19 Charterhouse Street
London EC1N 6QP

8 December 1994

Holders of share warrants to bearer are reminded that they can reconvert their bearer warrants into registered shares at any time. Reconversion forms are available from the abovementioned paying agents.

(Incorporated in the Republic of South Africa)
(Registration No. 01/00066/06)

RM RAND MINES

HSBC GLOBAL INVESTMENT FUNDS

Société d'Investissement à Capital Variable
Registered office: 7 rue du Marché-aux-Herbes, L-1728 Luxembourg
R.C. Luxembourg B-25087

NOTICE TO SHAREHOLDERS

Shareholders are hereby informed that the amalgamation of HSBC Global Investment Funds - Canadian Equity ("Canadian Equity") with HSBC Global Investment Funds - North American Equity, the amalgamation of HSBC Global Investment Funds - South Pacific Equity ("South Pacific Equity") with HSBC Global Investment Funds - Asian Equity, the amalgamation of HSBC Global Investment Funds - United Kingdom Equity ("United Kingdom Equity") and HSBC Global Investment Funds - European Equity ("European Equity") with HSBC Global Investment Funds - Pan European Equity, have become effective on December 5th 1994, at the following ratios:

0,671790 shares of HSBC Global Investment Funds - North American Equity attributed for one share of Canadian Equity;

0,346275 shares of HSBC Global Investment Funds - Asian Equity attributed for one share of South Pacific Equity;

1,154425 shares of HSBC Global Investment Funds - Pan-European Equity attributed for one share of United Kingdom Equity;

1,224105 shares of HSBC Global Investment Funds - Pan-European Equity attributed for one share of European Equity.

From December 6th 1994, shareholders of Canadian Equity, South Pacific Equity, United Kingdom Equity and European Equity [illegible]

After January 5th 1995, [illegible]

The [illegible] of the Company.

The Board of Directors

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 7 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 8 / Frs.)

[illegible]

DENMARK (Dec 8 / Kr)

[illegible]

FINLAND (Dec 8 / Mka)

[illegible]

FRANCE (Dec 8 / Frs.)

[illegible]

GERMANY (Dec 8 / Dm.)

[illegible]

ITALY (Dec 7 / Lira)

[illegible]

NETHERLANDS (Dec 8 / Fls.)

[illegible]

NORWAY (Dec 8 / Kroner)

[illegible]

SPAIN (Dec 7 / Pts.)

[illegible]

SWEDEN (Dec 8 / Kronor)

[illegible]

SWITZERLAND (Dec 8 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 8 / Yen)

[illegible]

AUSTRALIA (Dec 8 / Aust$)

[illegible]

HONG KONG (Dec 8 / H.K.$)

[illegible]

MALAYSIA (Dec 8 / MYR)

[illegible]

SINGAPORE (Dec 8 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 8 / Can $) 3:45 pm

[illegible]

MONTREAL (Dec 8 / Can $) 3:30 pm

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

AFRICA

SOUTH AFRICA (Dec 8 / Rand)

[illegible]

■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 8, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	5.2m	368	-6	Anritsu Elec	2.6m	1280	-10
Gunma Bank	4.4m	1110	+10	Toshiba	2.4m	713	-13
Mitsubishi Hvy	4.0m	726	-11	Kobe Steel	2.4m	311	-5
NKK	2.9m	269	-9	Konica	2.2m	782	+4
Fujitsu	2.7m	999	-11	Tsumura	2.1m	1030	-50

INDICES

[illegible]

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1971.0	1962.0	-15.0	1983.0	1961.0	14,031	33,729
Jan	1976.0	1970.0	-15.0	1979.0	1974.5	15	919
Feb	-	1979.5	-15.0	-	-	-	7,405

Open interest figures for previous day.

US INDICES

Dow Jones	Dec 7	Dec 6	Dec 5	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3735.52	3745.95	3741.92	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.29	94.19	94.02	105.61 (21/1)	93.61 (28/11)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1415.67	1430.58	1448.15	1862.29 (2/2)	1415.67 (7/12)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	180.46	180.73	180.40	227.86 (3/1)	173.94 (22/11)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high (a) (3762.10) Low (a) (3703.56) (Theoretical♦)
Day's high 3745.95 (3749.32) Low 3718.03 (3716.35) (Actual♦)

Standard and Poors	Dec 7	Dec 6	Dec 5	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	451.23	453.11	453.32	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	535.72	537.88	538.12	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	41.23	41.51	41.48	48.94 (14/6)	38.87 (22/11)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	246.85	247.85	248.08	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	429.19	431.01	432.25	487.89 (2/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	734.27	741.23	745.71	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 2	Nov 25	Nov 18	Year ago
Dow Jones Ind. Div. Yield	2.84	2.87	2.79	2.70
	Nov 30	Nov 23	Nov 16	Year ago
S & P Ind. Div. yield	2.48	2.46	2.48	2.40
S & P Ind. P/E ratio	18.29	18.42	18.29	27.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	452.05	452.80	+0.70	453.00	451.70	102,964	158,625
Mar	454.90	455.85	+0.75	456.00	454.70	37,484	106,803
Jun	-	460.00	-	460.00	459.20	325	5,796

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Vodafone	8,192,000	30⅛	-⅛
RJR Nabisco	6,071,400	6	+⅛
Merrill Lynch	3,903,600	35	-1⅞
Compaq	2,985,400	40⅛	-1⅛
Contl Cp	2,922,300	18⅛	+4⅛
A T & T	2,810,400	47⅛	-1
Merck	2,740,100	37⅛	—
Wal-Mart	2,723,800	22⅛	-⅛
Gen Motors	2,576,400	38⅛	-⅛
Am Barrick	2,448,400	21⅛	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Dec 7	Dec 6	Dec 5
New York SE	263.464	298.009	258.457
Amex	14.529	15.625	16.862
NASDAQ	249.235	262.288	221.547
NYSE			
Issues Traded	2,917	2,928	2,928
Rises	687	932	1,184
Falls	1,536	1,279	1,050
Unchanged	695	715	694
New Highs	10	16	11
New Lows	174	154	108

[illegible] Base values of all indices are 100 except: Australia All Ordinary [illegible] Euro Top-100, ISEQ Overall; Toronto Comp./Metals & [illegible] All Common - 50 and Standard and Poor's - 10. [illegible] Dec 8 - 2041.85 -2.19

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

3:30 pm December 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17⅞	11⅞	AAR	0.48	3.8	22	97	13	12¾	12⅞	
18⅛	12⅝	A L Labs A	0.18	1.1	36	84	16¾	16⅛	16⅛	-½
78⅛	57⅝	AMP	1.08	2.4	21	1347	71⅛	69⅝	69⅝	-1¼
72¾	48⅛	AMR			103	4404	50¾	48¾	48⅞	-2
5	3⅛	ARX			12	95	3⅝	3¾	3¾	
58⅛	38⅝	ASA	2.00	4.6	28	634	43⅝	43⅛	43¼	-⅜
33	25⅜	AbbtL	0.76	2.4	17	5394	32⅜	31⅝	31⅝	-¾
16¾	11⅜	AbitibiPr	0.50	3.6	12	144	13⅝	13⅛	13¼	+¼
23⅝	17¾	ABM Ind	0.52	2.4	13	68	21⅜	21⅜	21⅜	
18	11⅛	Acptacale			10	169	14	13⅞	13⅞	-⅛
31	20¾	ACE Ltd	0.44	2.0	22	40	22½	22⅛	22½	+¼
12½	9	ACM Gvt In x	1.08	11.5	8	260	9½	9⅜	9½	
10⅛	6⅞	ACM GvOpp x	0.80	11.4		154	7	d6⅞	7	
10⅝	6¾	ACM Gvt Sp x	0.96	12.8		360	7½	7⅜	7½	
12	7⅝	ACM Gvt Sc x	1.08	12.5		367	8⅞	8⅝	8⅝	
11¾	7⅞	ACM Man x	1.08	12.9		121	8⅞	8⅝	8⅞	-⅛
9¼	8	ACM Mangd x	0.72	8.9		75	8⅛	8⅛	8⅛	-⅛
15½	8¼	AcmeClv	0.44	3.8	28	23	11½	11½	11½	-⅛
13⅞	6½	Acme Elect			13	80	13	12½	12⅝	-⅜
30	23	Acordia	0.60	2.0	15	2	29⅞	29⅞	29⅞	
13¾	6¾	Actava	0.36	4.0	2	217	9⅜	9	9	-¾
18⅞	11¼	Acuson			25	773	16	15½	16½	-⅝
18⅞	15½	Adams Expr	0.68	4.3	0	69	15⅞	15⅝	15¾	
64	46½	Ad Micro x	3.00	5.8		745	52⅝	51¾	51¾	-1¼
31¾	16¾	AdvMic	3.00	12.8	7	6051	24¼	23½	23½	-½
6⅞	5	Advest Grp	0.16	3.0	15	316	5¼	5¼	5¼	
20	15	Advo Inc	0.10	0.6	15	618	17¼	16¾	16¾	-¾
64	49⅞	Aegon ADR	1.47	2.4	12	22	62¼	62	62	-⅛
65¾	42¼	Aetnal	2.76	6.2	9	933	45	44⅞	44⅞	
38⅛	25¼	Aflac	0.48	1.4	12	889	33⅝	33¼	33⅝	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

4 pm December 8

Continued from previous page

NASDAQ NATIONAL MARKET

3:45 pm December 8

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Dekalb Ge	0.80	11	391	25¼	d24½	24⅝	-⅜
Delchamps	0.44	10	86	15½	d14¾	15¼	+¼
Dell Comp		16	12632	41⅞	39¾	39¾	-1½
Dnply	0.30	25	1372	29½	29	29	-½
Dep Gty	1.12	7	189	26¾	26¼	26¾	+¼
Devcon	0.20	8	2	8	8	8	
DH Tech		15	114	22¼	21¾	21⅞	-¼
Dibrell B x	0.80	19	121	21¼	20¾	21¼	+⅛
Digi Intl		14	278	16¾	16	16⅛	-⅞
Dig Micro		10	1578	17⅞	17⅛	17⅛	-[illegible]
Dig Sound		32	799	2[illegible]	2[illegible]	2⅝	-⅛
Dig Syst		78	953	11⅞	10⅞	11¼	-⅛
Dionex Cp		15	68	37¼	36½	36½	-¼
Dixie Yrn	0.20	32	42	7	6⅞	6⅞	-¼
DNA Plant		1	596	3	2[illegible]	2[illegible]	-[illegible]
Dollar Gn	0.20	27	1685	28¼	27¾	27¾	-¼
Dorch Htn	0.68	17	174	12[illegible]	12½	12½	
DracoEngy		6	430	8	7¼	7½	-½
DressBarn		13	287	10	9¾	9⅞	-[illegible]
Drey GD	0.24	102	197	25¼	24½	24½	-¼
Drug Empo	0.08	42	417	5⅜	5⅛	5⅛	-⅛
DS Bancor	1.09	11	67	24	23¼	23¼	-½
Durion	0.42	17	1362	17½	17	17	-¼
Dynatech		10	527	28	27¾	27⅞	-⅛

- E -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Eagle Fd		0	288	2	d1⅝	2	

AMEX COMPOSITE PRICES

3:45 pm December 8

Weekend FT

AMERICA

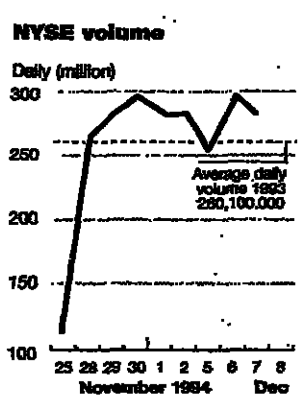
US equities pressured by bond market

Wall Street

US share prices fell modestly amid uncertainty about the repercussions of the financial troubles in Orange County, California, and renewed fears that the Federal Reserve would raise interest rates in the near term, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average was down 20.18 at 3,715.34. The more broadly-based Standard & Poor's 500 was down 1.90 at 449.33, the American Stock Exchange composite off 3.53 at 425.66 and the Nasdaq composite 6.72 at 727.55. Trading volume on the NYSE was 190m shares.

NYSE volume



The Dow edged up nearly 7 points at the opening, but slid below Wednesday's close by late morning on the heels of a declining bond market. Both markets remained skittish after Mr Alan Greenspan, chairman of the Federal Reserve, told a Congressional panel that he remained concerned about inflationary pressures in the economy.

Mr Greenspan said he believed higher prices in raw materials and intermediate goods would ultimately spill over to consumer prices, which had held relatively steady this year.

With little other economic news yesterday, investors focused on the comments, which many interpreted as a sign that the Fed would raise rates again by early next year. The Fed has boosted rates six times this year, and investors fear another increase would choke off corporate earnings by slowing consumer demand and making borrowing more expensive.

Financial problems in Orange County continued to trouble the market. Analysts remained uncertain as to how the bankruptcy would affect banks that had been lenders to the county, and there was concern that other municipalities might face similar crises.

Morgan Stanley bucked a downward trend among US investment banks after reporting that it was in merger discussions with SG Warburg. Morgan Stanley was up $⅝ at $57¼, while most other big investment banks declined. Lehman Brothers lost $¼ at $13⅞, Salomon Brothers fell $1 at $35¾, Merrill Lynch dipped $1¼ at $33⅝ and PaineWebber shed $¼ at $13⅝.

Airline shares took a beating after two large carriers announced they anticipated weaker-than-expected results for the fourth quarter. Southwest Air fell $3⅝ at $16¼ and Continental Air dropped $3¼ at $8⅝ after both announced that fourth quarter results would probably come in below analysts' forecasts.

Shares in Apache gained $⅝ at $25¾ after an analyst from Bear Stearns put a buy recommendation, saying that its decline to $25 made it an attractive value. The oil and gas company's high for the year is $29¼.

Caesars World rose $1 at $42⅞ on news that Bally Entertainment had the green light from federal regulators to acquire a major stake in the casino company. Shares of Bally Entertainment were unchanged at $5⅝.

Canada

Toronto was lower at midday with traders commenting on a notable lack of enthusiasm for the market in the wake of the Orange County bankruptcy.

The TSE 300 composite index fell 13.80 to 4,065.98 in volume of 26.8m shares. Declining issues outpaced advances 338 to 230, with 283 stocks holding their ground at midday.

Only three of the 14 sub-indices were higher. The precious metals group dropped 0.8 per cent after surging 3.7 per cent on Wednesday.

Paper and forestry was higher, gaining 0.9 per cent as the heavily weighted MacMillan Bloedel rose C$¼ to C$18 in busy trading.

Brazil

Shares in São Paulo were up 3.2 per cent in light midday trade as the market staged a technical recovery ahead of forthcoming futures and options settlements.

The Bovespa index was up 1,511 at 47,483 by 1 pm in turnover of R$179.2m ($211.3m), but foreign activity was reported to have been low.

Investors were also encouraged by data from the Geography and Statistics Institute that the country's GDP had risen by 6 per cent in the third quarter of 1994 after the introduction of the new real currency on July 1.

Telebras preferred rose 3.7 per cent to R$41.50, Vale do Rio Doce was up 1.9 per cent to R$157, and Petrobras 4.7 per cent to R$122.

Golds lead S Africa lower

Johannesburg struggled for direction as an initial gold share rally quickly ran out of steam. Most stocks ended weaker in thin volume. Dealers said Wednesday's large gold share gains had been overdone and that a soft bullion price had slowed opening enthusiasm.

Industrials remained lacklustre, reflecting uncertainty about Wall Street direction, a mixed performance from London and a lack of fresh factors locally. The overall index lost 15.5 at 5,758.5, industrials fell 19.5 to 6,903.7 and golds slipped 21.1 to 1,950.8.

De Beers and Anglos each gave up 50 cents to R92.75 and R228.50 respectively. Gold Fields was R2 down at R120 but Gencor picked up 5 cents to R13.80. Absa extended its recent strong run, adding 15 cents at R12.15, but the rest of the banking sector was quiet.

EUROPE

Bourses moved by individual corporate news

Corporate news was the main influence on bourses yesterday, *writes Our Markets Staff.* Madrid and Milan were closed for a religious holiday.

FRANKFURT's fall in floor trading, the Dax index coming out 13.39 lower at 2,042.21, mostly incorporated the losses on Wednesday afternoon when the key index closed at 2,044.4 in Ibis trading. Turnover fell from DM5.1bn to DM4.2bn.

The session produced one big reaction, Bilfinger & Berger falling DM44 or 5.4 per cent to DM775 after a further 20 per cent drop yesterday in the share price of the construction group's Hong Kong offshoot B+B Asia. This followed the unit's reported loss of HK$80.6m from a major civil engineering project linked to the colony's new airport.

The fall seemed belated, and perhaps arguable. B+B shares had fallen 12 per cent in Hong Kong on Tuesday, and 11 per cent on Wednesday for precisely the same reason. Furthermore, said Mr Karl Debenham, German market analyst at Williams de Broë, Bilfinger had provided amply for such contingencies with provisions of DM1.5bn against capital of DM1bn at the last balance sheet date.

After hours, the Ibis-indicated Dax eased a fraction to 2,041.85.

In chemicals, Henkel recovered more of its recent losses, up DM6.40 at DM539, but other selling targets like Deutsche Babcock and MAN in engineering continued downwards, losing DM5.50 at DM193.50 and DM6 at DM397 respectively; Babcock disappointed with its recent progress report and MAN, on an average rating, deserved to be there, said Mr Urs Emminger at CS Investment Research in Zurich.

PARIS, having moved for most of the day in a range between 1,970 and 1,960, fell away as Wall Street opened lower, and the CAC-40 index lost 15.75 at 1,954.09 in turnover of below FFr3bn.

Total, off FFr10.50 or 3 per cent at FFr319.80, was reported to have been downgraded by a domestic broker, but no details were forthcoming. This recommendation came a few days after a US broker raised its opinion on the stock.

The automotive sector was generally weaker, with the exception of Valeo which staged a partial recovery from Wednesday's 4 per cent fall, gaining FFr6.70 or 2.6 per cent at FFr262.

Mr Keith Ashworth-Lord, head of research at Daiwa Europe, said he believed the recent fall in Valeo's shares had been overdone. One of the reasons for its weakness, he said, was due to a perception that the company had not been able to pass on price rises in raw materials supplies, such as zinc and copper. However, he added, the company had hedged itself against volatility in commodities until the middle of next year, and was also showing a significant improvement in winning market share from competitors.

FT-SE Actuaries Share Indices

Dec 8 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
						THE EUROPEAN SERIES		
FT-SE Eurotrack 100	1334.09	1333.68	1333.81	1333.49	1333.72	1333.47	1334.58	1333.80
FT-SE Eurotrack 200	1382.88	1383.93	1382.69	1380.51	1383.53	1382.90	1384.59	1384.38

	Dec 7	Dec 6	Dec 5	Dec 2	Dec 1
FT-SE Eurotrack 100	1335.98	1338.78	1353.74	1342.92	1344.45
FT-SE Eurotrack 200	1382.94	1382.95	1399.40	1390.87	1393.94

Base 1000 (26/10/90); High/day: 100 - 1334.72; 200 - 1385.72 Low/day: 100 - 1333.10 200 - 1379.89 † Partial

AMSTERDAM fell back from opening levels, leaving the AEX index off 0.80 on the day at 409.29.

VNU, the publishing and media group, which holds a 38 per cent stake in RTL, a commercial broadcaster, was lifted by news that it had opened talks on possible co-operation with a rival Dutch television production company. VNU's shares gained Fl 2.50 or 1.5 per cent at Fl 171.50, and analysts believed that a partnership agreement would limit further fragmentation of the industry. Talks on partnership between RTL and another broadcasting group foundered last month.

ZURICH edged higher in very quiet dealings, with many investors absent for a religious holiday in parts of the country. The SMI index finished 5.0 ahead at 2,589.3.

The continued firmness of the dollar attracted steady demand for industrials with large exposure to the US currency. Nestlé rose SFr7 to SFr1,252, Ciba by SFr4 to SFr770 and Roche certificates by SFr40 to SFr5,850.

Banks, however, remained under pressure from further switches into the insurance sector. CS Holding fell SFr8 to SFr528 ahead of news that it planned to unify its share structure in a single class of registered shares, while Swiss Re added SFr6 at SFr790.

A SFr25 fall to SFr610 in SMH was attributed to concern over the watchmaker's Swatch sales. Interdiscount, the electronics retailer, fell another SFr140 to SFr1,500 in further response to a bank's bearish note.

STOCKHOLM corrected recent falls, and the Affärsvärlden general index rallied 4.6 to 1,476.4.

Ericsson staged a SKr4 or 1 per cent rebound to SKr405.5, supported by a higher opening for telecommunications issues on Wall Street. However, this did not fully erase Wednesday's 1.8 per cent dive, which was triggered by rumours that Fidelity's Magellan Fund was selling its large stake.

HELSINKI's Hex index fell 11.8 to 1,867.7, but the country's second largest forestry group, Kymmene, rose FM5 to FM125 after calling off a global equity funding plan. Traders said that investors who had sold the shares to subscribe to the issue bought them back on the news.

WARSAW fell 5.9 per cent, extending Wednesday's 4.3 per cent slide, with selling pressure so strong that the bourse scaled down many sell orders and cancelled trading in six issues. The Wig index lost 455.1 at 7,247.4 in further reaction to plans for a 0.2 per cent stock transaction tax from January.

Turnover picked up by 10 per cent to 610bn zlotys which, dealers said, suggested that some bigger investors were buying stocks and that this might help to cushion further falls today.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Hong Kong at 14-month low on fears of US rate rise

Tokyo

On a day of little real movement the Nikkei 225 average finished slightly higher but first section stocks as a whole eased a shade, most investors staying on the sidelines in the absence of market-moving news, *writes Robert Patton in Tokyo.*

The Nikkei closed 5.81 firmer at 19,180.04 after a day of quiet trading. There was little activity other than arbitrage buying, but some brokers pointed to the recovery of the US dollar above Y100 as an encouraging sign. Throughout the day the index traded in a narrow range from a high of 19,288.36 to a low of 19,135.33.

Volume dipped to an estimated 210m shares from Wednesday's 222.17m. The Topix index of all first-section stocks ended 4.29 off at 1,521.06, while declining issues outscored advances by 586 to 358, with 227 stocks unchanged. The capital-weighted Nikkei 300 slipped 0.95 to 280.50. In London the ISE/Nikkei 50 index gained 4.52 at 1,263.59.

Steel shares lost ground on news that three Japanese carmakers will shift some steel purchasing from Japan to South Korea, where prices are about 20 per cent lower.

Nippon Steel, which has agreed to reduce prices to carmakers by next spring, fell Y6 to Y368 in the day's highest volume of 5.2m shares. NKK was off Y9 at Y269 and Kobe Steel shed Y5 to Y311, both in active trading. Sumitomo Metal Industries slipped Y3 to Y320, but Kawasaki Steel ticked up Y1 to Y410.

Most privatised issues lost ground. Japan Tobacco fell Y6,000 to Y950,000, a new low following its October 27 listing. East Japan Railway receded Y4,000 to Y469,000, but NTT recovered Y5,000 to finish at Y469,000.

High-technology groups and integrated electricals declined across the board. Toshiba lost Y13 at Y713, Matsushita Electric Industrial Y10 at Y1,580, Sony Y50 at Y5280, NEC Y10 at Y1,140 and Sharp Y10 at Y1,710.

Game makers advanced. Sega Enterprises moved up for the ninth consecutive day, climbing Y160 to Y5,710. Nintendo added Y100 at Y5,900.

In Osaka, the OSE average slipped 31.40 to 21,182.10 in volume of 58.3m shares.

Roundup

US interest rate fears again cast a shadow over the region yesterday, with a number of markets showing sharp downward swings.

The Pacific Basin region, excluding Japan, has delivered a disappointing performance this year, and after staging a modest bounce between August and October, has returned to levels seen at the start of July.

HONG KONG closed at a 14-month low as the spectre of rising US interest rates continued to undermine sentiment. The Hang Seng index ended 200.19 or 2.4 per cent down at 8,068.31, taking its decline from January's peak to 36 per cent.

The December index futures contract heralded further market falls, dropping to a discount to the physical market at 7,980, down 285 in heavy volume. In subsequent London trading, prices steadied and the indicative index eased another 27 to 8,042.

Brokers expressed concern that local stocks would fall further if Wall Street continued to slide on fears of rising rates, and if funds migrated to US bond markets from Asian equities. Reports this week of sinking demand for residential properties also weighed on the market.

The property sub-index fell 467.76 or 3.3 per cent to 13,653.80. Cheung Kong dipped 80 cents to HK$30.80 and Sung Hung Kai Properties retreated HK$1.10 to HK$47.90.

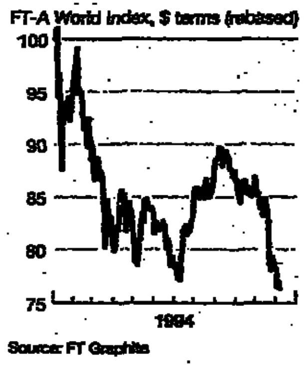
KUALA LUMPUR saw further heavy falls in Telekom Malaysia and Tenaga Nasional which dragged the composite index down 26.34 or 2.8 per cent to 925.34, its lowest close of the year.

The declines in Telekom and Tenaga were attributed to redemption of funds and hedge-selling by foreign institutions, particularly in the US.

Tenaga Nasional finished 30 cents down at M$9.80, falling below the M$10 level for the first time since mid-1993. Telekom relinquished 70 cents at M$16.40.

SINGAPORE declined 1.9 per cent on continued selling by

Pacific Basin (ex Japan)



Source: FT Graphite

foreign investors in anticipation of redemption of funds and on the withdrawal of retail investors.

Brokers said overall sentiment was weak, hit by the Dow's overnight fall, inflation warnings from the US Federal Reserve chairman Mr Alan Greenspan and redemption-led selling in Malaysia.

The Straits Times Industrial index fell 40.70 to 2,139.68, while the UOB OTC index, tracking Malaysian stocks, shed 17.67 to 1,066.11.

SEOUL encountered further institutional selling of blue chips, amid worries about the market's direction, but demand remained strong for shares with good earnings prospects. The composite index lost 15.23 or 1.4 per cent at 1,053.70.

Institutional investors were also worried that the central bank would tighten its money supply policies after the bank penalised a commercial bank with a large amount of one-day penalty funds for failing to meet its Won reserve obligations.

Most blue chips fell by their daily limits, Samsung Electronics and Posco dipping Won3,000 and Won2,000 to Won112,500 and Won66,100 respectively.

BOMBAY extended its slide in sluggish trade on the last day of the current account period, the BSE 30-share index weakening 52.66 or 1.3 per cent to 3,925.73, off 158.50 since Tuesday and 15.2 per cent down from its all-time peak of 4,628.75 set on September 12.

SYDNEY was led higher by gains among non-resource issues, with light bargain hunting following recent declines. The All Ordinaries index improved 5.8 to 1,875.9. Turnover was estimated at A$361m.

An increase in November unemployment to 9.3 per cent, from 9.1 per cent a month before, was said to have had little effect on sentiment, even though it was at the top end of expectations.

Among the main movers, BHP rose 16 cents to A$19.02, News Corp 14 cents to A$5.06, and Fairfax a cent to A$2.64.

In the banking sector, NAB firmed 6 cents to A$10.70 and ANZ put on 3 cents at A$3.98.

TAIPEI did not build on Wednesday's gains as some investors decided to take profits. The weighted index eased 2.3 to 6,775.38 in turnover of T$82.06bn.

Textile shares, which had been benefiting recently from price rises in the sector, reversed early gains on profit-taking. Shinkong Synthetic Fibres lost 20 cents at T$35.40.

Cements outperformed the weak industrial sector, with Taiwan Cement adding T$1.20 or 2.4 per cent at T$50.50.

MANILA also succumbed to profit-taking, following gains over the last three sessions. The composite index surrendered 6.81 at 2,656.36.

Among sector indices, the commercial and industrials index retreated 8.24 to 3,922.14, while mines rose 16.50 to 4,543.68. Turnover was thin at just 968.7m pesos, against Wednesday's 1.42bn pesos.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY DECEMBER 7 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY DECEMBER 6 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.12	-1.0	158.38	105.80	136.50	144.39	-1.2	3.99	168.84	160.16	107.00	138.04	146.11	189.15	157.11	157.11
Austria (16)	179.23	0.1	169.85	113.46	146.38	145.84	-0.4	1.11	179.09	169.87	113.49	146.41	146.39	198.89	167.46	180.05
Belgium (35)	168.41	0.1	159.60	106.62	137.55	134.04	0.0	4.12	168.20	159.54	106.58	137.50	134.09	177.04	159.64	160.82
Brazil (28)	170.90	0.4	161.95	108.19	139.58	266.12	0.4	0.77	170.14	161.39	107.82	139.09	264.65	-	-	-
Canada (103)	127.69	-0.2	121.01	80.83	104.29	127.55	0.2	2.69	127.92	121.34	81.06	104.57	127.24	145.31	120.54	134.25
Denmark (33)	242.70	0.6	230.00	153.64	198.22	203.15	0.6	1.46	241.33	228.91	152.93	197.29	202.01	275.79	234.06	237.64
Finland (24)	182.00	0.7	172.48	115.22	148.65	185.78	0.3	0.75	180.72	171.43	114.53	147.74	186.30	201.41	116.85	123.45
France (102)	168.13	0.0	159.33	106.44	137.32	142.37	0.0	3.01	168.08	159.44	106.52	137.41	142.36	185.37	159.34	168.70
Germany (58)	138.34	0.5	131.10	87.58	112.99	112.99	0.4	1.83	137.61	130.54	87.21	112.50	112.50	150.40	128.37	134.97
Hong Kong (56)	331.03	-0.6	313.71	209.56	270.37	328.73	-0.6	3.77	332.88	315.77	210.96	272.15	330.55	506.56	327.43	398.05
Ireland (14)	196.64	0.3	186.54	124.62	160.77	181.28	0.2	3.62	196.16	186.08	124.32	160.37	180.82	216.60	176.63	176.96
Italy (59)	72.06	-0.2	68.29	45.62	58.86	87.29	-0.5	1.81	72.24	68.53	45.78	59.06	87.70	97.78	65.57	65.57
Japan (468)	153.41	-0.6	145.38	97.12	125.30	97.12	-0.7	0.79	154.30	146.37	97.78	126.15	97.78	170.10	127.18	133.48
Malaysia (97)	466.88	-0.1	442.45	295.57	381.33	460.96	-0.1	1.81	467.25	443.22	296.11	382.00	461.46	621.63	430.71	515.65
Mexico (18)	2062.03	0.3	1954.12	1305.39	1684.15	7780.35	0.4	1.31	2056.59	1950.79	1303.31	1681.30	7747.44	2647.08	1696.28	2198.56
Netherland (19)	209.66	-0.2	198.69	132.73	171.24	168.32	-0.4	3.43	210.14	199.34	133.18	171.80	168.95	223.30	191.28	195.05
New Zealand (14)	71.49	-0.1	67.75	45.26	58.39	59.78	-0.6	4.89	71.55	67.87	45.34	58.49	60.12	77.59	62.05	63.41
Norway (23)	203.57	0.3	192.91	128.87	166.26	189.23	0.3	1.76	202.95	192.51	128.61	165.91	188.72	211.74	168.11	169.10
Singapore (44)	359.18	-1.0	340.38	227.38	293.36	242.90	-0.8	1.76	362.76	344.10	229.89	296.57	244.84	401.38	294.66	325.53
South Africa (59)	323.54	0.8	306.61	204.82	264.25	294.89*	0.9	2.22	321.09	304.57	203.48	262.50	292.30	342.00	205.55	229.15
Spain (38)	141.03	0.2	133.64	89.28	115.18	140.50	-0.1	4.06	140.67	133.43	89.15	115.00	140.62	155.79	132.91	136.90
Sweden (36)	228.98	-0.6	217.00	144.96	187.03	254.20	-1.0	1.57	230.31	218.46	145.95	188.29	258.65	242.81	166.22	168.71
Switzerland (47)	159.94	-0.2	151.57	101.25	130.63	131.63	-0.1	1.85	160.24	152.00	101.55	131.00	131.78	178.58	149.91	155.48
Thailand (46)	154.80	-0.9	146.70	98.00	126.44	150.62	-1.0	2.44	156.28	148.24	99.04	127.77	152.09	-	-	-
United Kingdom (204)	191.36	0.0	181.34	121.14	156.29	181.34	-0.1	4.26	191.28	181.45	121.23	156.39	181.45	214.96	181.11	195.48
USA (514)	184.62	-0.4	174.95	116.87	150.78	184.62	-0.4	2.96	185.38	175.84	117.48	151.56	185.38	196.04	176.95	190.13
Americas (663)	172.67	-0.4	163.64	109.31	141.03	143.61	-0.3	2.90	173.32	164.40	109.84	141.69	144.12	-	-	-
Europe (708)	166.53	0.1	157.82	105.43	136.01	149.49	-0.1	3.14	166.44	157.88	105.48	136.07	149.57	178.58	160.69	163.10
Nordic (116)	220.08	-0.1	208.56	139.32	179.75	209.05	-0.3	1.42	220.19	208.88	139.54	180.01	209.76	233.81	180.05	183.23
Pacific Basin (793)	160.86	-0.6	152.44	101.83	131.38	106.08	-0.7	1.17	161.81	153.49	102.54	132.29	106.81	176.86	141.04	144.38
Euro-Pacific (1501)	163.14	-0.3	154.60	103.27	133.24	123.25	-0.4	2.02	163.65	155.23	103.71	133.78	123.76	175.14	150.97	152.02
North America (617)	181.09	-0.4	171.61	114.64	147.90	180.69	-0.4	2.97	181.81	172.46	115.22	148.63	181.38	192.73	175.67	188.66
Europe Ex. UK (504)	149.49	0.1	141.66	94.63	122.09	130.24	-0.1	2.48	149.39	141.71	94.67	122.13	130.30	158.12	142.17	142.62
Pacific Ex. Japan (325)	235.31	-0.6	223.00	148.97	192.19	206.71	-0.7	3.23	236.82	224.64	150.08	193.61	208.14	296.21	232.59	248.49
World Ex. US (1709)	164.99	-0.3	156.35	104.45	134.75	126.89	-0.3	2.02	165.44	156.93	104.84	135.25	127.34	176.55	152.78	153.68
World Ex. UK (2019)	168.47	-0.4	159.65	106.65	137.59	141.01	-0.4	2.16	169.07	160.37	107.14	138.22	141.58	178.69	160.85	161.93
World Ex. Japan (1755)	181.48	-0.2	171.98	114.89	148.22	172.66	-0.2	3.00	181.87	172.51	115.25	148.68	173.08	195.20	176.34	182.96
The World Index (2223)	170.49	-0.3	161.57	107.93	139.25	144.68	-0.4	2.36	171.04	162.24	108.39	139.83	145.22	180.80	164.19	164.86

Latest prices were unavailable for this edition.

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